On the Edge

A Progress Report on
Welfare to Work in Los Angeles

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Final Report
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Analysis, interpretations, conclusions, and recommendations contained in this report remain those of the authors.

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Executive Summary

Overview

The loss of a welfare safety net for most adults for most of their lives makes the quality of jobs available to the working poor and their success in finding and keeping jobs increasingly important. The economic and civic life of the Los Angeles region will be shaped by connections that are made, or fail to be made, between the growing ranks of working poor and opportunities for steady, sustaining, productive employment.

The release of this report coincides with the first anniversary of the federally mandated welfare-to-work program in Los Angeles County, which has more residents below the poverty level than any other county in the nation and all but four states. The ability of working-poor families to find jobs that lift them above poverty will shape the future ability of this region to maintain clean parks and public spaces, improve infrastructure, provide essential public services such as health and education, raise a new generation of children who succeed in school and become productive adults, and preserve a civic life that is not increasingly polarized between those in comfort and those in poverty.

Background of Research

This study was undertaken at the request of the Los Angeles County Board of Supervisors to provide information about the actual employment outcomes of welfare recipients who were reported to have found jobs. On February 10, 1998, the Board of Supervisors approved a motion requesting the Economic Roundtable to prepare an analysis of long-term earnings of GAIN job seekers. GAIN (Greater Avenues for Independence) is the county's welfare-to-work program.

Following this request, the county's Department of Public Social Services released 99,469 records representing all of the aid recipients who participated in GAIN from 1990 through 1997 and were reported to have found work. Confidential earnings information was obtained from the Employment Development Department's Base Wage file, showing quarterly earnings of each welfare worker from the beginning of 1990 through the first quarter of 1998. This population of welfare workers found jobs with 101,462 employers.

Welfare workers whose characteristics and earnings are analyzed in this report are individuals who participated in GAIN and were reported by program staff to have found jobs. They do not represent all of the participants in Los Angeles County's GAIN program (about half of whom did not find jobs) or the general population of families with children receiving welfare, many of whom were not referred into GAIN. Recipients whose outcomes are analyzed in this report represent the most successful half of GAIN participants.

During the eight-year period covered by this data, GAIN went through three program phases: (1) a basic education program from 1990 to 1993, (2) a "work-first" model from 1993 to 1996 that focused on long-term welfare recipients and emphasized immediate job search activities rather than skill development, and (3) a continuation of work-first with an emphasis on new entrants to welfare from mid-1996 through 1997.

As a consequence of these shifts in program emphasis, the population of welfare workers represented in our data is representative of the total population of welfare recipients who are able to find employment without intensive program intervention. During the period covered by our data, approximately 15 percent of GAIN participants were volunteers, and 85 percent were non-volunteers, reflecting the mandatory job-seeking obligation that now applies to all aid recipients.

Now that most welfare recipients are by law part of the workforce, it is very important that we understand the footholds they are finding in our collective economic life. Most welfare recipients find jobs, and many of the working poor have difficult times when they must resort to welfare. The population we are studying straddles these two worlds.

Key Findings

1. GAIN has significantly increased employment rates among participants.

2. In 1997, 65 percent of long-term GAIN workers (those whose first GAIN job was at least three years earlier) had earnings below the poverty threshold for just one person and 74 percent had earnings below the poverty threshold for their families.

3. Most GAIN workers have low-paying jobs in low-wage industries, and many of these industries are growing in Los Angeles County. There is a shortage of jobs in the county that pay sustaining wages to workers with average levels of education.

4. Education and the ability to speak English are the most significant factors associated with GAIN workers who had higher earnings.

5. Characteristics of GAIN workers, the kinds of jobs that are available to them, and the amount that they earn vary significantly from one city to another in the county.

Progress Report on Work and Earnings

Earnings records of nearly 100,000 welfare workers over eight years show that Los Angeles County's welfare-to-work program (GAIN) has had a significant effect on employment rates among workers. Over the eight-year period of 1990 to 1997, the quarterly

employment rate among GAIN workers was an average of 29 percentage points higher after they went through GAIN than before (56 percent versus 27 percent). This increased employment resulted in higher collective earnings.

The troubling finding is that after an initial jump, earnings tapered-off at a level that left 65 percent of long-term GAIN workers below the poverty threshold for one person, and 74 percent below the poverty threshold for their families in 1997. Average annual earnings of GAIN workers with jobs have declined from 26 percent of the average pay for a job in the Los Angeles labor market in 1990 to 24 percent in 1997.

Employment levels among two-parent households are slightly lower than among one-parent households. Thirty-six percent of two-parent households had no employment in 1997, and only 42 percent worked all four quarters of the year. This suggests that the county will have difficulty complying with the federal requirement that as many as 90 percent of these families have an adult family member participating in work or work-related activities.

Los Angeles County's Department of Public Social Services (DPSS) has made notable progress in shifting from a mission of eligibility determination to one of family self-sufficiency, yet the findings in this report offer strong evidence that GAIN will need to move beyond the "work-first" model to continue its progress in helping welfare workers become economically self-sufficient. The motto and central premise of the GAIN program is "a job, a better job, a career." Our findings show that this career progression has not occurred for most welfare workers. This finding does not diminish the credible achievement of GAIN in helping welfare recipients move into work, but it does provide new and important information about what remains to be accomplished.

In 1993, the work-first strategy was initiated in Los Angeles County following evaluations by the Manpower Demonstration Research Corporation (MDRC) that found this approach had been successful in Riverside County. However, the definition of "success" that led to a favorable evaluation of the work-first model was reduction in welfare payments. This is very different from the standard for success under welfare reform, which is achievement of long-term economic self-sufficiency by most recipients. The work-first model was judged successful because it had lower costs than training programs as the earnings of welfare job seekers led to reduction (or in a small percent of cases, discontinuance) of welfare benefits. But this report offers strong evidence that in the absence of human capital investments, work-first strategies result in a majority of recipients repeating previous experiences of sub-poverty, temporary employment without career mobility.

The importance of education and training is demonstrated by stronger outcomes achieved by individuals who have been routed into education and training activities by the GAIN program. Over the past eight years, 12 percent of GAIN participants have taken part in education or training programs. Those who received education or training entered GAIN with a history of lower earnings, but after GAIN had earnings 16 percent higher in the first year and 39 percent higher in the fifth year than those without education or training.

Furthermore, participants in the first phase of GAIN that emphasized basic education have had significant long-term improvement in earnings. Among comparable participants, those who were enrolled in this first phase have the highest average earnings of any group served by GAIN.

Education is not by itself a silver bullet that eradicates poverty, but findings in this report indicate that it is the single most powerful factor affecting incomes of the working poor. It is also the most readily available and administratively feasible remedy for helping the working poor become economically self-sufficient.

Industries Employing Welfare Workers

Workers attempting to leave welfare are asserting a growing presence in a labor market that is increasingly polarized between high-wage professional, managerial, and technical jobs on the one hand, and low-wage production, retail, and service jobs on the other. Jobs in the middle providing good wages and benefits are shrinking.

Like all other workers, GAIN participants are subject to the job opportunities available from employers, and the quality of those opportunities is sensitive to labor market conditions. Increasing numbers of welfare workers have found jobs during this decade, but this population worked for diminishing amounts of pay until the end of 1995. The average earnings of GAIN workers declined together with total employment in the Los Angeles labor market from the onset of the 1990 recession through 1992. However, even after overall job loss slowed in 1993 and the economy entered a period of stagnation, earnings of welfare workers continued to decline for two more years.

The probable explanation for continued shrinkage in the paychecks of welfare workers after the labor market stabilized is reduction in the number of hours they worked. Earnings are a proxy for total number of hours worked per quarter, and during the recession many were probably reduced to part-time work. Because most are at the fringes of the labor market, the rising tide that lifted other ships appears to have taken longer to reach them.

When we look at changes in employment levels of GAIN workers on a quarter-to-quarter basis we see a close connection between earnings and changes in the total labor market. While changes in employment and earnings of GAIN workers are closely tied to trends in overall county employment levels, they have a degree of fluctuation that is more than five times greater than corresponding changes in the overall labor market. This is because most GAIN workers are part of a contingent labor force experiencing high rates of job turnover.

This finding suggests a strong relationship between the performance of the Los Angeles economy and its level of job creation and the amount of wages that adults who are receiving public assistance can obtain through employment. GAIN workers can be seen as a

segment of the labor market that tends to work in less secure and lower-wage jobs, and who thus have frequent periods of unemployment and low earnings. There is probably much movement into and out of public assistance among this segment of the overall working population, with a significant number of these families experiencing chronic poverty. Their fortunes tend to rise and fall with the work experience of the total working population, but the class of workers represented by GAIN participants is simply more vulnerable in times of economic decline or stagnation.

Personnel supply service firms (temporary employment agencies are part of this group) are the largest employer of welfare workers, accounting for 13 percent of all jobs held by GAIN workers in 1997. This industry's share of welfare employment has more than doubled since 1990. In 1997, the highest concentrations of GAIN workers were found in industries paying the lowest wages and as a corollary, industries with the lowest concentrations of GAIN workers paid the highest average wages.

Most GAIN job holders are low-wage workers in low-wage industries that offer few prospects for upward mobility. For these workers to become self-sufficient, most will need skills that will enable them to enter new industries. Strategies that enable GAIN workers to move into industries that pay sustaining wages will offer parallel benefits for the regional economy by supporting growth of industries that create more value per job. An important challenge is to design both worker training and job creation programs that support movement into, and growth of, industries that make greater contributions to the regional economy as well as to the workers they employ.

Economic growth resulting in 160,000 GAIN workers moving up the income ladder by one rung each (an average of $4,670 a year more in earnings per worker) would: increase their collective income and buying power by over $750 million a year, create over 20,000 jobs, add over $1.5 billion to the economy, and add over $40 million a year in local taxes paid by businesses.

Geography of Welfare Employment

Welfare workers are highly concentrated in the Inner City and San Gabriel Valley, with smaller concentrations in adjacent communities to the south and north. Relatively few welfare workers reside in the western parts of Los Angeles County. The problems of poverty in Los Angeles are not readily explained by a flight of jobs to the outer districts of Los Angeles County. Instead, the restructuring of jobs and labor supplies have contributed to the growth of insecure, low-wage employment throughout the Los Angeles region.

Analysis of Employment Outcomes

Differing levels of education and English language ability can account for most differences in earnings between ethnic, immigrant and age groups. For example, older workers with the same level of education earn more than younger workers, but relatively few older GAIN workers have as much education as younger GAIN workers, and consequently as a group they have lower earnings.

The educational attainment of GAIN workers was strongly related to their earnings in 1997. Persons with some college experience earned $10,829, which was 17 percent more than the income earned by persons who had completed high school and 57 percent more than the earnings of persons with no high school experience. The positive relation between educational attainment and earnings was true for all ethnic and immigrant groups.

Welfare workers with limited English ability fared much more poorly in the labor market than those without English language limitations. They were less likely to work in 1997 than were persons with good English language ability, and they earned 25 percent less than workers with good English language ability.

When GAIN workers with higher earnings (at least $15,000 in 1997) are compared to workers with lower earnings (between $500 and $4,999), workers with higher earnings were (a) less likely to be between the ages 18 and 24; (b) less likely to be recent immigrants; (c) more likely to have good English ability; and (d) more likely to have a higher level of educational attainment.

The concentration of African-Americans among GAIN participants is 2.3 times greater than their concentration in the county's population. Latinos are also over-represented, though to a lesser degree. Asians and Pacific Islanders are under-represented, and European-Americans are even more under-represented.

Except for European-Americans, there was little difference in employment rates between ethnic groups. The participation rate of Asians and Pacific Islanders was 72 percent, virtually the same as the 71 percent participation rate of African-Americans and Latinos. European-Americans had a lower participation rate of 65 percent.

African-Americans with jobs had the highest average earnings of any ethnic group, but relative to their overall level of education and non-immigrant status had comparatively low earnings. Latinos had the lowest levels of education of any ethnic group. Asians had the lowest earnings of any ethnic group.

Statistical tests support the conclusion that workers with a high school diploma had substantially higher earnings than workers lacking a diploma. Full-time work experience and employment in the professional services industries were also associated with higher earnings. For recent immigrants, lack of English ability was associated with lower earnings.

Summary of Recommendations

Findings about the employment needs of GAIN workers converge on the following recommended actions by the County of Los Angeles and the State of California.

1. Expand the role of GAIN to place much greater emphasis on skill development, based on comprehensive assessments of GAIN participants and routing of participants to basic education, vocational training, on-the-job-training, or post-secondary education based on individuals' readiness, available funds, available training and education slots, and the 25 percent cap imposed by federal law.

2. Create individual career development plans for each participant based on assessment information and labor market information about occupations that will provide the best opportunities for economic self-sufficiency for each individual.

3. Amend state regulations to allow use of welfare funds, when available, for employment-related services for members of the working poor who are not receiving cash assistance.

4. Make full use of training and education capacity in public educational institutions, particularly at the post-secondary level where enrollment of welfare recipients has declined.

5. Publicize the fact that individuals who initiate their own education or training program are allowed to continue that program after entering GAIN, provided the program will lead to employment and be completed within two years.

6. Define an autonomous mission for job training jurisdictions that includes using their capabilities for certifying income eligibility and negotiating on-the-job training positions with employers.

7. Design and implement community-level job creation initiatives that are guided by the skills and career potential of local low-wage workers. This should result in integrated skill development and economic development programs that both raise the skill level of welfare workers and create jobs that match their qualifications.

8. Increase the minimum wage to a level that ensures that a single parent with two children who works the number of hours specified under federal and state welfare guidelines will have enough take-home earnings to support her or his family above the poverty level.

Chapter 7 provides comments and recommendations regarding this report from the Department of Public Social Services, and responses from the Economic Roundtable.

Chapter 1

Introduction

The Issue

Most working-age adults have to survive on what they can earn. The new five-year, lifetime limit on welfare for adults means that single parents with young children and limited skills must either find and keep a job or survive on a diminished income. Even before welfare reform, a majority of aid recipients worked and were part of the low-wage workforce.[1] However, for many employment has been episodic and failed to provide a reliable, sustaining income. The loss of a welfare safety net for most adults for most of their lives makes the quality of jobs available to the working-poor and their ability to qualify for those jobs increasingly important for the resilience of the economy as well as social stability. The economic and civic life of the Los Angeles region will be shaped by connections that are made, or fail to be made, between the growing ranks of working-poor and opportunities for steady, sustaining, productive employment.

This report is the third in a series by the Economic Roundtable that focuses on welfare-to-work. Two earlier reports, *By the Sweat of Their* Brow and *Survival Skills,* were released in 1998. In this report we explore basic questions about the progress made by GAIN[2] workers in achieving economic self-sufficiency, including: (1) What was the employment level and earnings among GAIN participants who were reported to have found jobs? (2) Where are GAIN participants finding jobs and what is the quality of their jobs? (3) What factors explain different employment outcomes? And, (4) how important is education and the ability to speak English?

Beyond the obvious need of poor families to survive in a competitive and often unforgiving economy, there is a broadly shared public interest in the success of the working-poor in finding and keeping sustaining employment. The Census Bureau estimates that in 1996 and 1997, 18.4 percent of this county's residents had incomes below the poverty level, up from 16.7 percent in 1989.[3] Approximately 1,790,000 residents of Los Angeles County are currently living below the poverty level.[4] There are more people below the poverty level in Los Angeles County than in any other county in the nation, and in all but four states (California, Texas, New York, and Florida).[5] Half of all local families with incomes below

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[1] See *By the Sweat of Their Brow*, released by the Economic Roundtable in 1998, pp. 19-20.
[2] Los Angeles County's welfare-to-work program is called Greater Avenues for Independence (GAIN).
[3] Bureau of the Census, March 1998, 1997, and 1996 Current Population Surveys, and 1990 Census of Population. In 1997 the poverty threshold for a single person under 65 was $8,350 and for one parent with two children it was $12,931.
[4] Based on applying the county's 1996-1997 poverty rate to the California Department of Finance Demographic Research Unit's estimate of Los Angeles County's total population in 1999.
[5] U.S. Bureau of the Census estimates of poverty by state and county in 1993.

the poverty level include one or more adults who are currently working at least part time,[6] and three-quarters include one or more adults with a work history.[7] The ability of these working-poor families to rise above poverty is directly linked to the future ability of this region to maintain clean parks and public spaces, improve infrastructure, provide essential public services such as health and education, raise a new generation of children who succeed in school and become productive adults, and preserve a civic life that is not increasingly polarized between those in comfort and those in poverty.[8]

What is the quality of life for welfare recipients? What is the standard of living for one-fifth of the county's residents who are in poverty and will either gain or lose basic necessities depending on their ability to work and earn a sustaining income? Many of the working-poor live in substandard housing. According to the U.S. Census Bureau, 15 percent of aid recipients have a leaking roof or ceiling, 20 percent have broken windows, 46 percent have infestations of rats, mice or roaches, and 18 percent have cracks or holes in walls or ceilings. Many live in neighborhoods that are plagued by crime and physical blight. For example, 25 percent are afraid to go out in their neighborhoods, 43 percent say crime is a problem, 30 percent say trash and litter impact their neighborhood, and 24 percent say it is impacted by rundown or abandoned structures. Access to services such as health care is often limited. Fifteen percent could not get needed medical attention in the past year, and 21 percent could not get needed dental attention. Eighteen percent report having days without food in the past month.[9] We also have evidence that less educated mothers are more likely to work a nonstandard schedule (e.g., irregular evening, night or weekend hours) than are other women, complicating the already difficult conflict between work and parental responsibilities.[10] Given the low earnings of most welfare workers, the impending loss of benefits for adult family members suggests a future in which these problems will become even more pervasive unless welfare-to-work programs help them achieve improved standing in the labor market.

Background of Research

This study was undertaken at the request of the Los Angeles County Board of Supervisors to provide information about the actual employment outcomes of welfare recipients who were reported to have found jobs. On February 10, 1998, the Board of Supervisors approved a motion requesting the Economic Roundtable to prepare an analysis of long-term earnings of GAIN job seekers.

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[6] Bureau of the Census, Social and Economic Characteristics, Los Angeles County, 1990.
[7] Bureau of the Census, 1990 Public Use Microdata Sample for Los Angeles County.
[8] For a discussion of income polarization in California see Deborah Reed, Melissa Glenn Haber, and Laura Mameesh, *The Distribution of Income in California*, Public Policy Institute of California, 1996.
[9] Kathleen Short and Martina Shea, "Beyond Poverty, Extended Measures of Well-Being: 1992," *Current Population Reports,* U.S. Census Bureau, P70-50, November 1995. (Findings are for the United States, based on Survey of Income and Program Participation data from September to December of 1992.)
[10] Harriet B. Presser and Amy G. Cox, "The Work Schedules of Low-Educated American Women and Welfare Reform," *Monthly Labor Review*, April 1997.

Following this request, the county's Department of Public Social Services released 99,469 records of aid recipients who participated in GAIN from 1990 through 1997 and were reported to have found work. Confidential earnings information was obtained from the Employment Development Department's Base Wage file, showing quarterly earnings of each welfare worker from the beginning of 1990 through the first quarter of 1998. This population of welfare workers found jobs with 101,462 employers. The Employment Development Department provided additional information identifying Standard Industrial Classification (SIC) codes of employers in the first quarter of 1991 and the third quarters of 1993, 1995 and 1997. It should be noted that no confidential data from any source is shown in this report. These combined data files provide over 930 fields of information for each GAIN worker, including:

- Age, sex, ethnicity, immigration and refugee status, English ability, home language
- Family structure, number and age of children, relationship of caretaker to children
- Availability or absence of childcare
- Education and work history
- Amount of welfare grant, home address
- Actions and contacts by the Department of Public Social Services, including all services and intervals of GAIN enrollment
- Appraisal and test scores, level of education, education and training activities
- Health indicators, including incidence of caretakers required to stay home to care for family members, children under 6 and 12 months of age, pregnant females who are medically unable to work, and illness, injury or incapacity lasting 3 months or longer
- Number of hours worked per week and hourly wage
- Amount earned in each quarter from 1990 through the beginning of 1998
- Industrial classification codes of employers

Relatively little is known about the experiences of welfare workers in a labor market that has frequently "churned" them and too infrequently offered lasting, sustaining employment. The rich body of information assembled for this research makes it possible to understand the dynamic patterns of labor market connection, disconnection and reconnection between all of the county's welfare workers and all of the employers that have hired them over an eight year period.

Population Represented by the Data

Welfare workers whose characteristics and earnings are analyzed in this report are individuals who participated in GAIN and were reported by program staff to have found jobs.[11] They do not represent all of the participants in Los Angeles County's GAIN program

[11] The Department of Public Social Services agreed to provide records of all GAIN participants from 1990 through the end of 1997. However the files produced by the data management vendor were limited to participants whose records contained an entered-employment date.

(about half of whom did not find jobs) or the general population receiving AFDC/TANF[12] (many of whom were not referred into GAIN). Rather, they represent the successes of a work in progress known as welfare reform.

The data we analyze here includes all reported job-finders from an eight-year period during which the GAIN program went through three program phases:

1. During the period of 1990 to 1993, GAIN was primarily a basic education program. Most participants were welfare parents who did not have a high school diploma or GED certificate, scored below minimum levels in reading or math tests, or were not proficient in English.
2. In 1993 the program changed to a "work-first" model, emphasizing immediate job search activities rather than skill development. From 1993 to 1996, priority for assignment to GAIN was given to long-term welfare recipients.
3. In mid-1996 program targeting shifted, giving highest priority for referral to GAIN to new entrants to welfare, while continuing to emphasize immediate employment.

As a consequence of these shifts in program emphasis, the population of welfare workers represented in our data is reasonably representative of the total population of welfare recipients who are able to find employment without intensive program intervention. During the period covered by our data, approximately 15 percent of GAIN participants were volunteers, and 85 percent were non-volunteers, reflecting the mandatory job-seeking obligation that now applies to all aid recipients.

Now that most welfare recipients are by law part of the workforce, it is very important that we understand the footholds they are finding in our collective economic life. Many welfare recipients find jobs, and many of the working-poor have difficult times when they must resort to welfare. The population we are studying straddles these two worlds.

Continuing Work

Important and complex questions concerning long-term employment outcomes of GAIN workers remain to be investigated. Issues we plan to explore in a companion report include: job retention and turnover, work-residence dynamics, trends in earnings and job stability of welfare workers in comparison to their workplace peers, and the evolving industry niches of welfare workers. In addition, we hope to see the database created for this study used to produce information for job training and economic development initiatives.

Comments by the Department of Public Social Services

Comments on this report by the Los Angeles County Department of Public Social Services and responses by the Economic Roundtable are provided in Chapter 7.

[12] Prior to recent welfare reform legislation the primary assistance program for impoverished families was called Aid to Families with Dependent Children (AFDC), now it is called Temporary Assistance to Needy Families (TANF).

Chapter 2

Progress Report on Work and Earnings

Overview

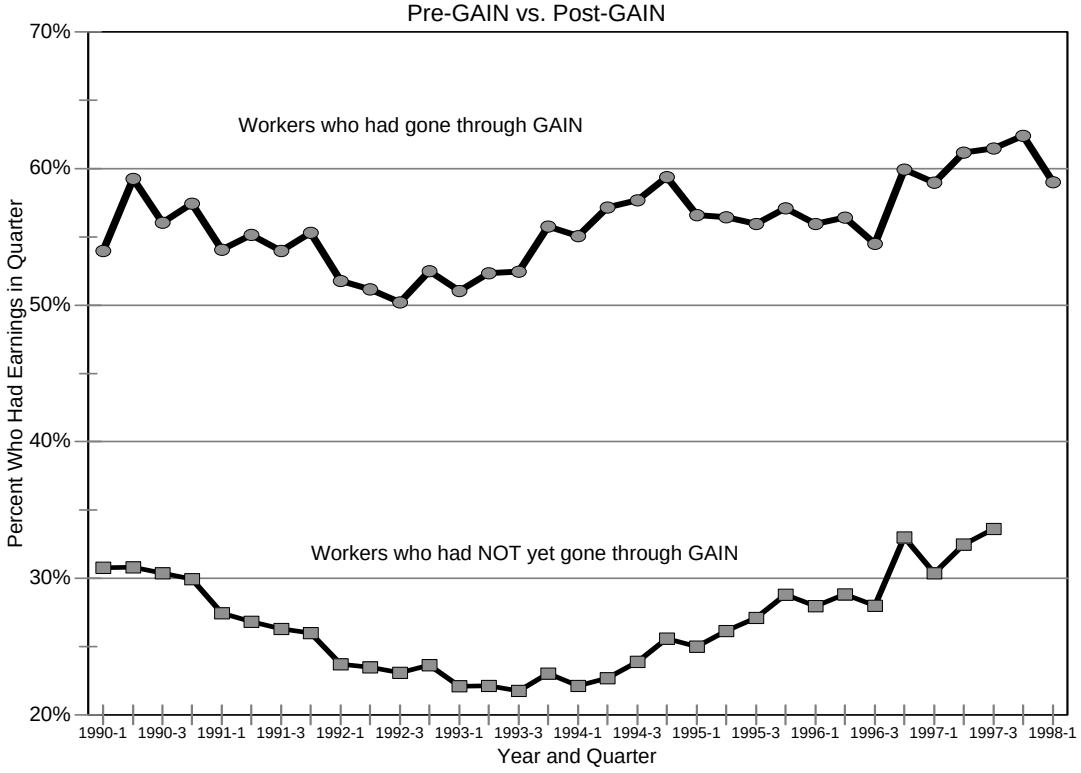
Earnings of nearly 100,000 welfare workers over eight years show that Los Angeles County's welfare-to-work program (GAIN) has had a significant effect on employment rates among welfare parents. This increased employment resulted in higher collective earnings. *(As noted earlier, this population is made up of individuals identified in GAIN records as having found employment.)* The troubling finding is that after an initial jump, earnings tapered-off at a level that left 65 percent of long-term GAIN workers below the poverty threshold for just one person, and 74 percent below the poverty threshold for their families in 1997.

Los Angeles County's Department of Public Social Services (DPSS) has made notable progress in shifting from a mission of eligibility determination to one of family self-sufficiency, yet the findings in this report offer strong evidence that GAIN will need to move beyond the "work-first" model to continue its progress in helping welfare workers become economically self-sufficient. The motto and central premise of the GAIN program is "a job, a better job, a career." Our findings show that this career progression has not occurred for most welfare workers. This finding does not diminish the credible achievement of GAIN in helping welfare recipients move into work, but it does provide new and important information about what remains to be accomplished.

In 1993, the work-first strategy was initiated in Los Angeles County following evaluations by the Manpower Demonstration Research Corporation (MDRC) that found this approach had been successful in Riverside County. However, the definition of "success" that led to a favorable evaluation of the work-first model (reduction in welfare payments) is very different from the standard for success under welfare reform, which is achievement of long-term economic self-sufficiency by most recipients. The work-first model was judged successful because it had lower costs than training programs as the earnings of welfare job seekers led to reduction (or in a small percent of cases, discontinuance) of welfare benefits. But this report offers strong evidence that in the absence of human capital investments, work-first strategies result in a majority of recipients repeating previous experiences of sub-poverty, temporary employment without career mobility.

Questions explored in this chapter include: (1) What impact has GAIN had on employment rates? (2) How has it affected the earnings of workers? (3) How have employment and earnings levels following GAIN compare to previous levels? (4) What was the relationship between education and earnings? (5) How have two-parent families fared compared to one-parent families? And, (6) how many workers have risen above poverty?

Figure 1
PERCENT OF WORKERS WHO HAD EARNINGS
Pre-GAIN vs. Post-GAIN



Change in the Number of Workers Who Had Earnings

Over the eight-year period of 1990 through 1997, the employment rate among individuals who had been in GAIN was an average of 29 percentage points higher than among those who had not yet entered GAIN.[17] Another way of describing the impact of GAIN is that it doubled the employment rate among welfare recipients, with an average of 56 percent of post-GAIN workers having earnings in a given quarter, compared to only 27 percent of those who had not yet gone through the program. This is a significant accomplishment. It reconnects individuals with the working mainstream of society, and it also reduces the damage to individuals' self-image as workers that results from extended unemployment.

The success GAIN has achieved in increasing the level of employment among participants is shown in Figure 1. This graph compares the percent of workers who had been through GAIN and had earnings each quarter to the corresponding employment rate among individuals who had not yet entered GAIN. ***Data tables for each figure are provided in the Appendix under table numbers that correspond to the figure number.***

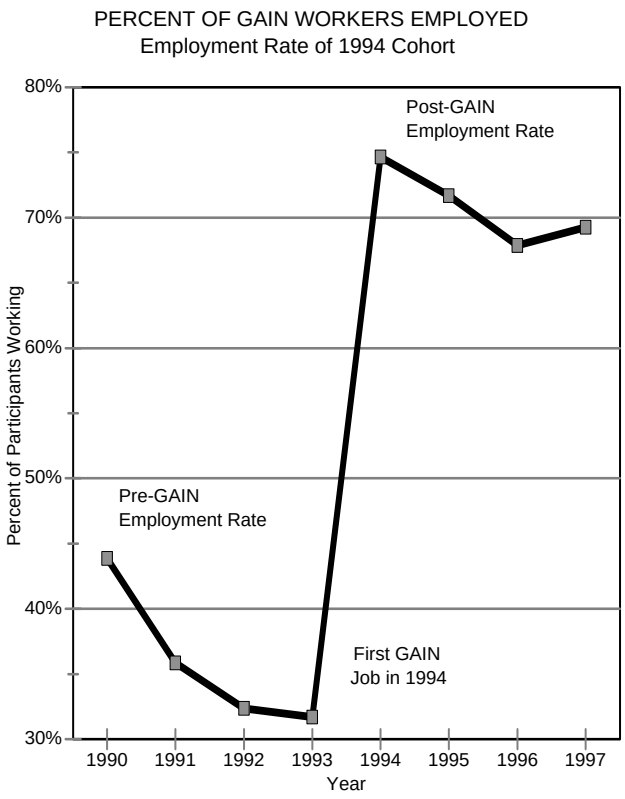
[17] Individuals were counted as employed if they showed any earnings at all during the quarter. About 1 percent of participants had earnings in any given quarter that were between $.01 and $100. These numerical outliers were infrequent enough as to have little impact on total averages.

An important finding is that 86 percent of workers in this group had post-GAIN employment,[18] but frequently in jobs that did not provide long-term stability. The 30-percentage point gap between the average post-GAIN employment level and the number that have been employed at some point after GAIN is the penalty exacted by transient jobs. Temporary positions, together with skill deficiencies and problems related to childcare, transportation and health of family members create this gap between potential and actual employment.

GAIN demonstrated a similar impact on the employment rate of participants in each of the eight annual GAIN cohorts (one for each year from 1990 through 1997) that were studied for this report. As we look at the collective employment levels of these workers we see a pattern of descent into increasingly pervasive unemployment, associated with growing poverty and entry into the welfare system. Following participation in GAIN there is a 43 percent jump in the employment rate, which then declines slightly and remains constant.

An example of the slide into poverty and subsequent jump in rate of employment following GAIN is shown in Figure 2, for workers who got their first GAIN job in 1994. Beginning on the left side of the graph we see increasing unemployment, then a dramatic increase in employment rates following GAIN. (The annual employment rate is higher than the quarterly rate shown in Figure 1 because there is a higher probability of being employed sometime during the year than in every quarter of the year.)

Figure 2



Amount Workers Earned

A second critical dimension of employment is the amount that workers earn. When we look at the population of workers who got their first

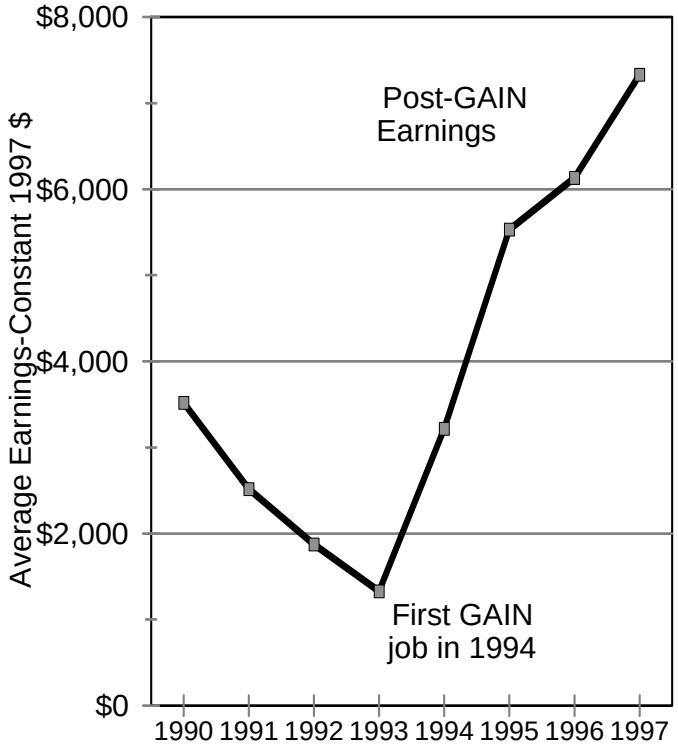
[18] Earnings records in the Unemployment Insurance files maintained by the Employment Development Department show fewer workers with earnings than GAIN records, which indicate that over 99 percent of the participants in this data set became employed. Possible explanations for this discrepancy include: (1) inaccurate reports to GAIN staff from participants that they had found work, or (2) jobs in the informal economy that do not pay payroll taxes.

GAIN jobs in 1993 and 1994 (and whose earnings had risen and leveled out by the first quarter of 1998 when our data end), we see a jump in their average annual earnings from $1,432 in the year preceding GAIN (their year of lowest earnings) to $7,960 in 1997 (both in constant 1997 dollars). This is a dramatic increase of 456 percent in average earnings following GAIN, but the significance of it is moderated by two factors. First, the base year for the comparison is the year of lowest earnings, the year preceding GAIN. And, second, because these figures are for average earnings of the total 1993 and 1994 cohorts, they rise as more workers in each cohort have earnings.

Nearly half of the post-GAIN growth in average earnings is accounted for by the large increase in the number of workers who obtained jobs. This has been GAIN's greatest strength -- it is very effective in returning welfare recipients to active participation in the labor market. Among workers who got their first GAIN jobs in 1993 and 1994, their low-point in employment was in the year preceding GAIN when only 33 percent had earnings and the average earnings of those who worked (in contrast with the average for everyone in the population) was $4,272 (in 1997 dollars). By 1997, their employment rate had more than doubled -- 71 percent had earnings. The average earnings of those who worked was $11,192. This growth in earnings is still a convincing 162 percent compared to the low point preceding GAIN, but it is less dramatic than the change in average earnings for the total 1993 and 1994 cohorts.

Figure 3

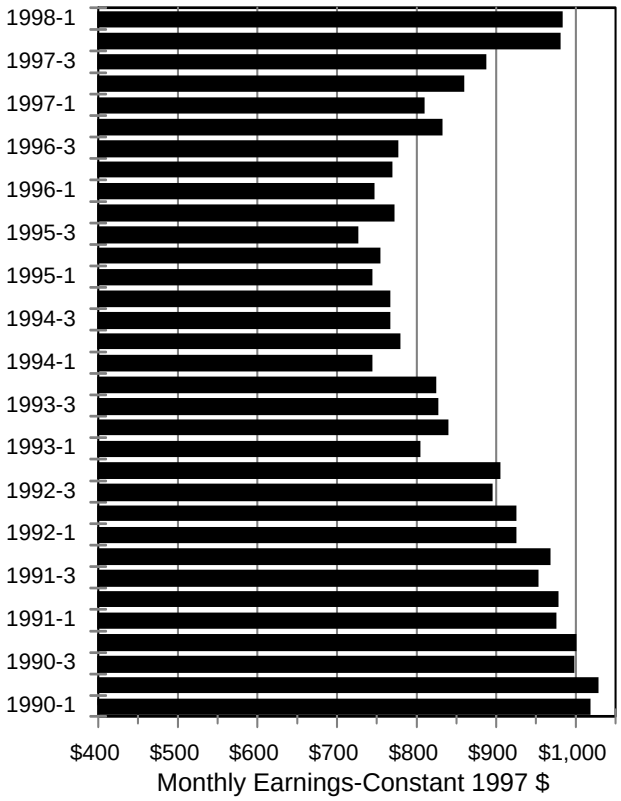
PRE- & POST-GAIN EARNINGS-1994 COHORT
Total Earnings Averaged Over Everyone



Increased average earnings among workers who found their first post-GAIN jobs in 1994 can be seen in Figure 3, which shows total earnings averaged over all participants before and after GAIN, in 1997 dollars.

In assessing the impact of GAIN on workers' earnings it is important to remember that that even before welfare reform, a majority of welfare recipients received aid for short periods of time and left welfare through their own initiatives. Welfare is an economic low point for most recipients, many of whom

Figure 4
AVERAGE MONTHLY EARNINGS WHEN WORKING
All Employed Workers - Constant 1997 $



have had substantial earnings at some point in their lives. It does not present a balanced picture to compare earnings after GAIN to earnings in the preceding year (as we have just done), because that was the low point in earnings for most GAIN workers. When we look at the eight years of earnings history for the entire population of GAIN workers we see that their highest earnings (in constant 1997 dollars) were in the beginning of 1990 when over 99 percent of these workers had not yet entered GAIN, and many were still early in their decline into poverty.

Between the first quarter of 1990 and the third quarter of 1995, average monthly earnings of those who worked decreased by 29 percent. Gradual quarterly increases in earnings began in 1995 and continued into 1997, with a large increase at the end of that year. By the first quarter of 1998, when this entire population of workers had gone through GAIN, the earnings of those who worked were $36 dollars less a month (in 1997 dollars) than they had been eight years earlier. These findings indicate that the primary impact of GAIN has been in increasing the employment rate of workers, rather than their earnings.[19]

[19] If we push to the edges of the data and compare the 1990 earnings of workers who entered GAIN in 1996 and 1997 (this is our earliest pre-GAIN data and shows the highest pre-GAIN earnings) to the 1997 earnings of workers who entered GAIN in 1990 to 1992 (these are the workers who have been through GAIN the longest and have the highest post-GAIN earnings) we see earnings of employed workers that are higher after GAIN than before. This comparison, however, is tenuous because it is between two dissimilar cohorts of workers and the workers with the higher earnings are from the first phase of GAIN that emphasized education. We plan to investigate this issue further in the future.

It is helpful for understanding the earnings trend shown in Figure 4 to consider that the number of participants in GAIN increased significantly in 1994 and again in 1997. This skews the average earnings figures to disproportionately reflect the earnings of later participants. In the early 1990s, many of these later participants were still in the early stages of losing jobs and descending into poverty, and consequently had higher average wages than they would have in subsequent years. These factors result in this large group of later participants having higher average earnings for employed workers in the early 1990s than in 1996 and 1997, shortly after they had left GAIN and before they had time to reclaim their earlier level of earnings. Later in this chapter we examine the earnings of workers who have been out of GAIN for three or more years and the level of earnings they have been able to achieve.

The monthly earnings of workers who had jobs are shown (in 1997 dollars) in Figure 4. These earnings figures are higher than those shown in Figure 3 because they represent average earnings for just those workers who had jobs, rather than total earnings averaged over everyone.

It is possible that the addition of large numbers of GAIN workers (100,000 in our study and another 50,000 job placements claimed in 1998) to a labor market that was in recession for four years and has since been in slow recovery may have created an environment of diminishing returns. The flow of significant numbers of additional workers into low-wage occupations that has been stimulated by GAIN may have created a surplus of workers, leading to reduced wages and hours of work. This possibility is supported by the generally unfavorable comparison between pre- and post-GAIN earnings shown in Figure 5, the loss in monthly earnings of employed workers through most of the 1990s that is shown in Figure 4, and the decline in economic standing of GAIN workers compared to the total Los Angeles work force that is shown in Figure 6.

The average monthly earnings of employed workers who had been through GAIN are compared to those who had not yet entered GAIN in Figure 5. Each of the two trend lines in the graph is affected by different factors that create distinct trajectories, but together they suggest that GAIN did not increase the average earnings of employed workers when compared to their previous highest earnings. The highest level of the line representing earnings of employed workers who have gone through GAIN (shown in the upper right corner) is lower than the highest level of earnings for these workers before they went through GAIN (shown in the upper left corner of the graph.) Despite increases in earnings following GAIN, the earnings of most workers are too low to enable them to be economically self-sufficient and often lower than their previous peak earnings.

Figure 5

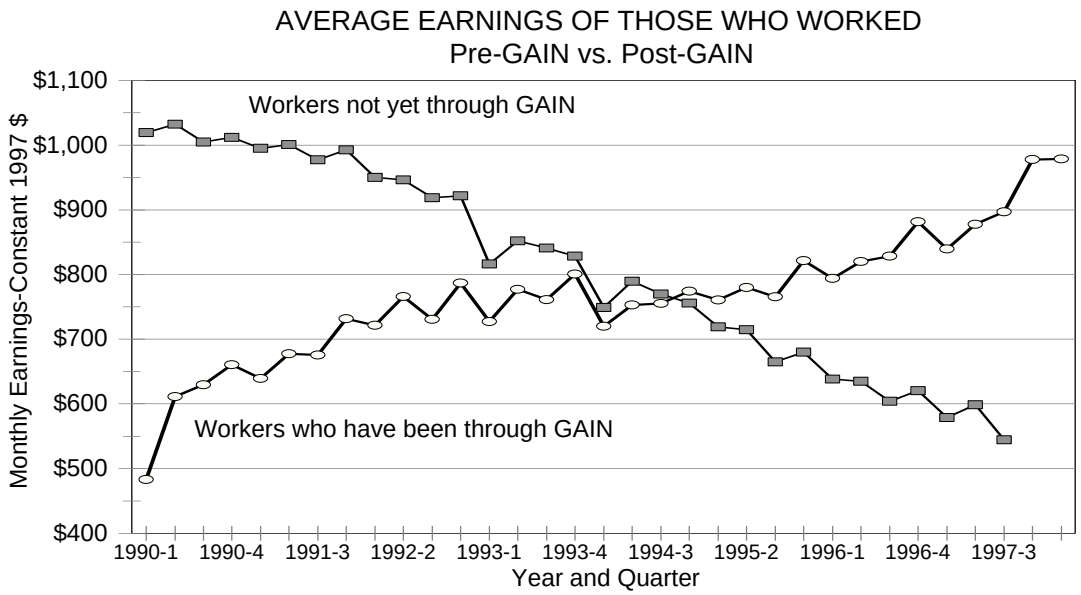
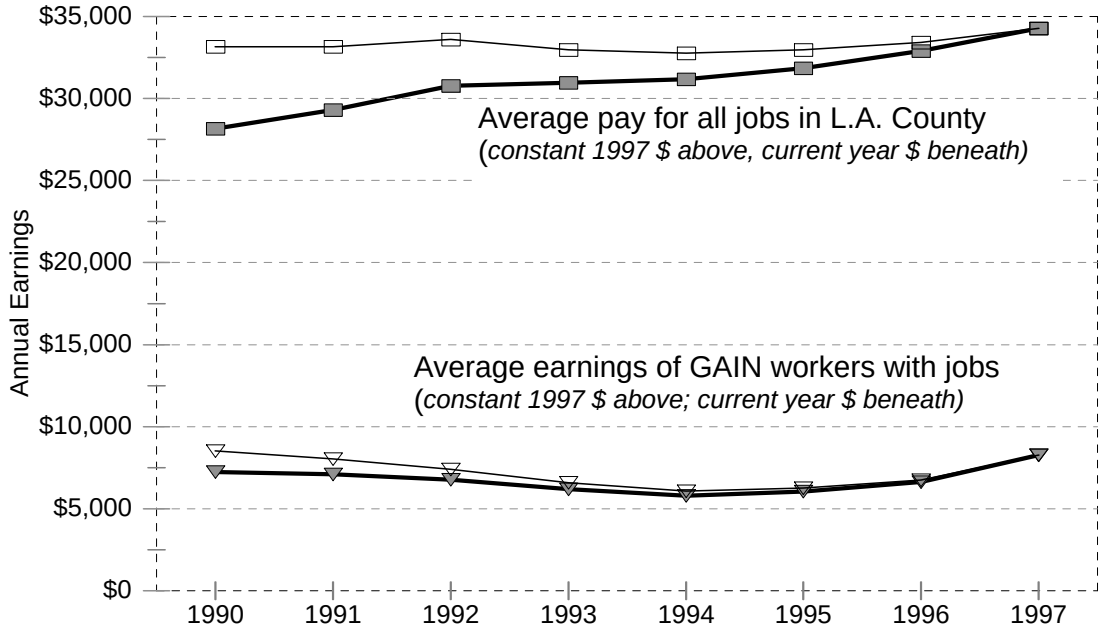


Figure 6
AVERAGE ANNUAL EARNINGS 1990-1997
Welfare Workers vs. All Jobs in L.A.



Between 1990 and 1997, annual earnings of the county's GAIN workforce lost ground compared to the average worker in the region, despite having gone through GAIN. In 1990, the average-annual earnings of individuals in the GAIN population who had jobs was 25.7 percent of the pay for an average job in Los Angeles County. By 1997 the earnings of GAIN workers had declined to 24.1 percent of the pay for the average job in the county.

Figure 6 shows the average-annual earnings of all GAIN workers (both pre- and post-GAIN) with jobs from 1990 through 1997. This trend line is a composite of the two trend lines (pre-and post-GAIN) that are graphed in Figure 5. The left side of this line, representing the early 1990s largely reflects pre-GAIN earnings, and the far right (above the points representing 1996 and 1997) post-GAIN earnings. Also shown in Figure 6 is the average amount paid for all jobs in Los Angeles County during this same period.[20]

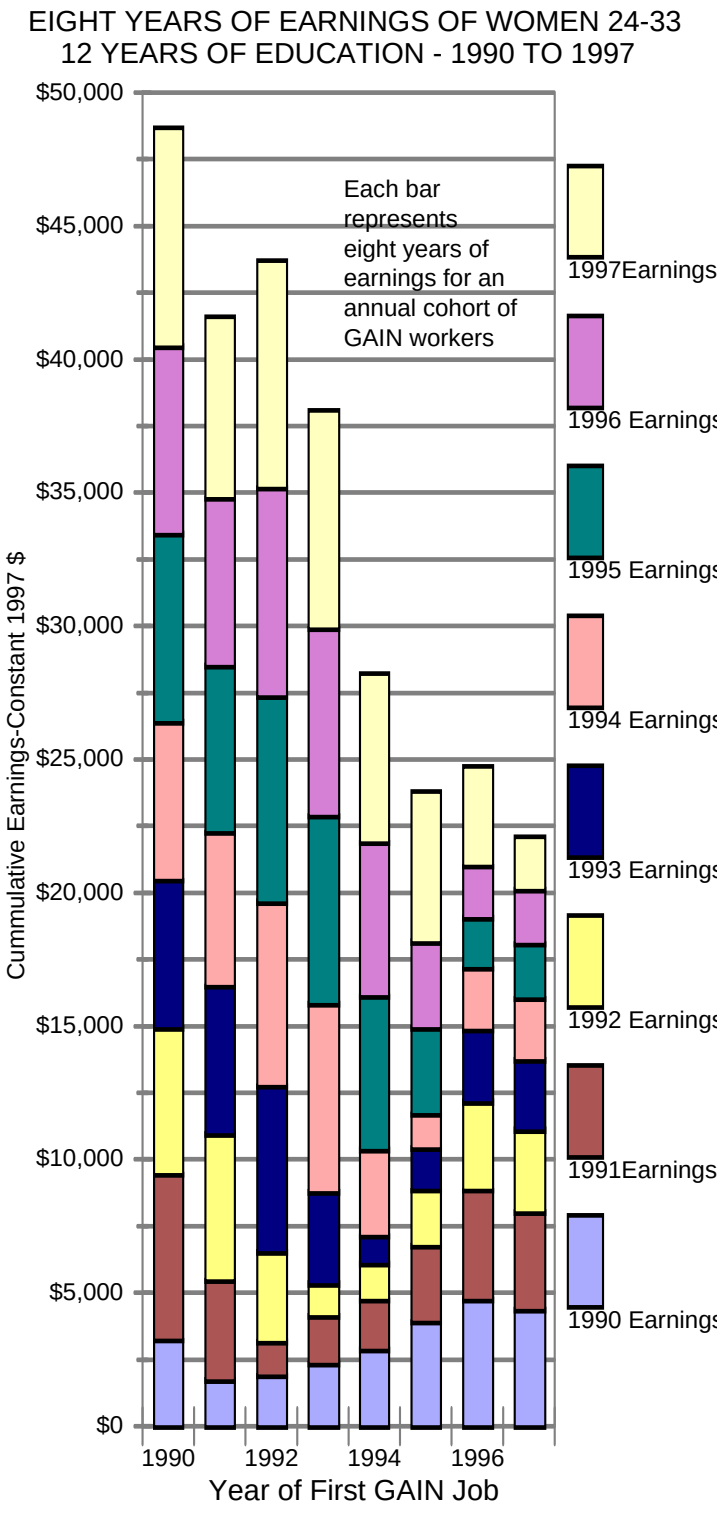
[20] This is an average for all jobs in Los Angeles County, both full-time and part-time. The source of this data is the U.S. Department of Commerce Bureau of Economic Analysis (BEA). This is a different data source than the state files that were used to determine the earnings of GAIN workers. To the extent there are dissimilarities between the two sources, the average pay reported by the BEA should under-represent average earnings in the Los Angeles labor market compared to those shown for GAIN workers because the BEA figure is for a single job and earnings for GAIN workers include roll-ups of multiple and concurrent jobs that some workers held. The BEA salary figures represent annualized pay for each job, and most jobs held be GAIN workers do not last for a year.

Total Earnings of All GAIN Workers

In this section we return to looking at the average earnings of all GAIN workers rather than the average earnings of just those with jobs. Both ways of measuring income are informative. It is individuals who hold jobs and earn incomes, and by looking at individual earnings we can gauge the progress they have made toward becoming economically self-sufficient. On the other hand, GAIN is intended to benefit an entire population of workers and their children. By looking at collective earnings averaged over everyone we see the overall progress of that population. Furthermore, since many GAIN workers did not have continuous multi-year earnings, we get a clearer indication of average earnings over a multi-year period by averaging total earnings over all workers.

Figure 7 shows cumulative earnings (in 1997 dollars) of eight annual cohorts of similar workers. Workers in each cohort got their first GAIN job in the same year. Each segment in the eight bars represents average earnings during one year. Together, the segments show eight years of earnings (from 1990 to 1997) for each cohort. For workers whose first GAIN job was in 1990, this represents the placement year followed

Figure 7



by seven post-GAIN years. For workers having their first GAIN job in 1997, this represents seven pre-GAIN years followed by the placement year.

There was significant variation in the age, education and gender composition of participants referred into GAIN over the eight years of 1990 through 1997 (the Appendix discusses this variation in greater detail). To see how GAIN affected earnings of each annual wave of workers over this eight-year period we created a subgroup of 9,728 women with just 12 years of education, who were 24 to 33 years of age in 1990. This is the most representative set of attributes of the GAIN population in terms of sex, education and age. By looking at outcomes of similar participants in each annual cohort we have a consistent basis for comparing outcomes from different phases of GAIN. In particular, this allows us to compare long-term outcomes from the first phase of GAIN, which emphasized basic education. Workers who got their first GAIN job between 1990 and 1993 are from this educational phase.

Year of First GAIN Job	**1997 Earnings** Average for Similar Women	Those with Earnings
1990	$8,896	$12,455
1991	$7,302	$11,184
1992	$9,378	$13,155
1993	$9,274	$12,238
1994	$7,594	$10,503
1995	$6,811	$9,462
1996	$6,697	$8,616
1997	$4,638	$5,606

A reappraisal of the basic education phase of GAIN is suggested by this data. Based on its evaluation, MDRC concluded that this phase "had no measured effect on the average earnings of AFDC single-parent recipients enrolled in the program." [21] However, the workers with the highest average earnings in 1997 measured either by average earnings of the entire cohort, or earning of those working in the year (*see left box*) are from the basic education phase of GAIN.

Another measurement of the different phases of GAIN is to compare earnings after GAIN to earnings in the year preceding GAIN (*see right box*). We do not have pre-GAIN earnings for workers who got their first GAIN job in 1990, but the 1991-to-1993 cohorts demonstrate robust post-GAIN increases in earnings compared to the work-first cohorts that followed, particularly considering that until 1994 they were swimming upstream against the forces of the 1990-1994 recession. Strong long-term

Percent Change in Annual Earnings among Similar Women
Year Preceding the First GAIN Job Used as the Base Year

+7		313%						
+6		284%	632%					
+5		254%	567%	646%				
+4		226%	504%	558%	637%			
+3	Not	213%	441%	465%	515%	435%		
+2	Avail-	210%	385%	467%	459%	338%	251%	
+1	able	110%	161%	174%	215%	155%	96%	136%
BaseYear		0%	0%	0%	0%	0%	0%	0%
	1990	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*

Year of First GAIN Job

[21] Evan Weissman, *Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients*, MDRC, New York, March 1997, p.15.

improvements in earnings of participants who took part in education programs, compared to comparable participants from years that followed, raises the possibility that the short-term evaluations conducted by MDRC did not capture growing earnings that resulted from the development of basic skills.

Level of Education and Employment Outcomes

Earnings of GAIN participants present a clear pattern when the time of their first post-GAIN job is used as the basic reference point. What this means is that instead organizing annual earnings based on a calendar frame of reference, they are organized based on the number of years before and after the first GAIN job. Earnings data for all female participants was integrated based on the year of the first job placement shown in GAIN records. This has the advantage of showing all earnings as part of a single pattern and compensates for different points in the business cycle when workers entered the labor market.

Figure 8
IMPACT OF GAIN ON EARNINGS OF WOMEN
Composite Earnings Based on Education
Average Earnings of All Participants - Aligned by Year of First Gain Job

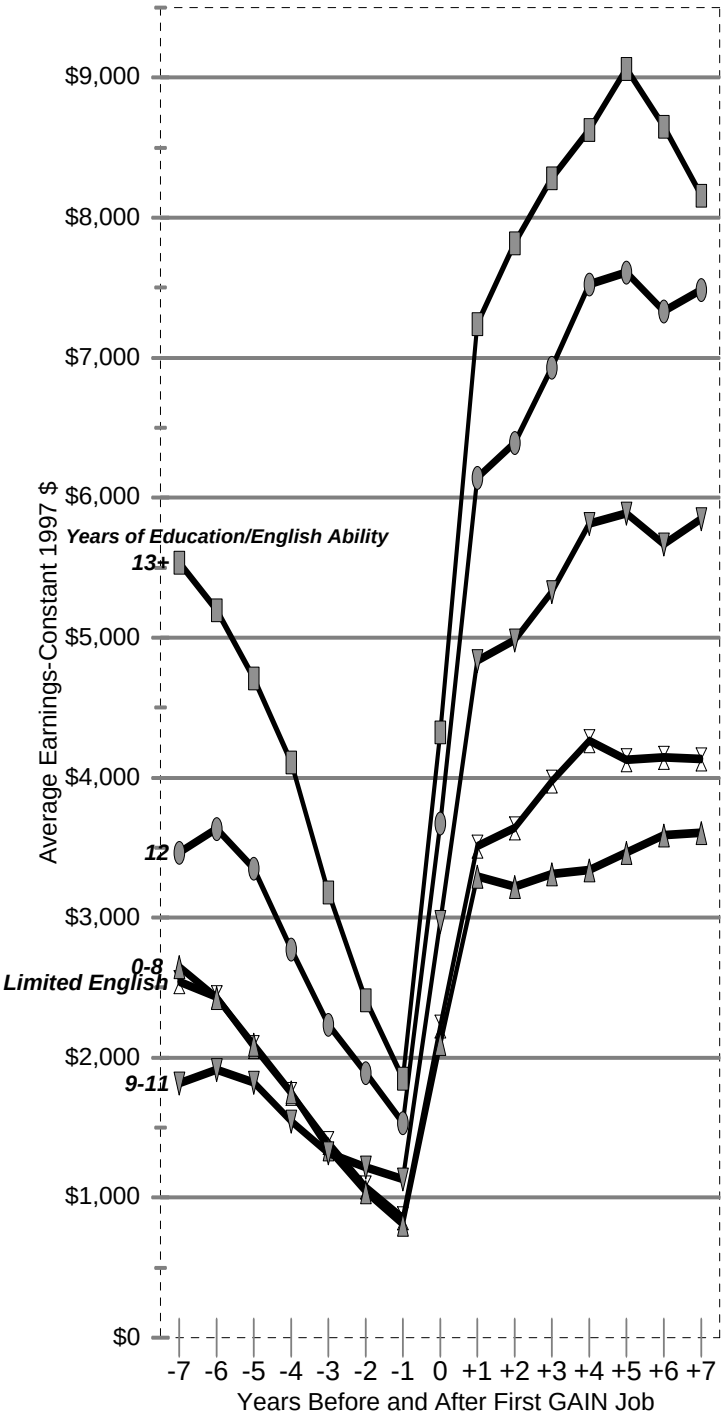
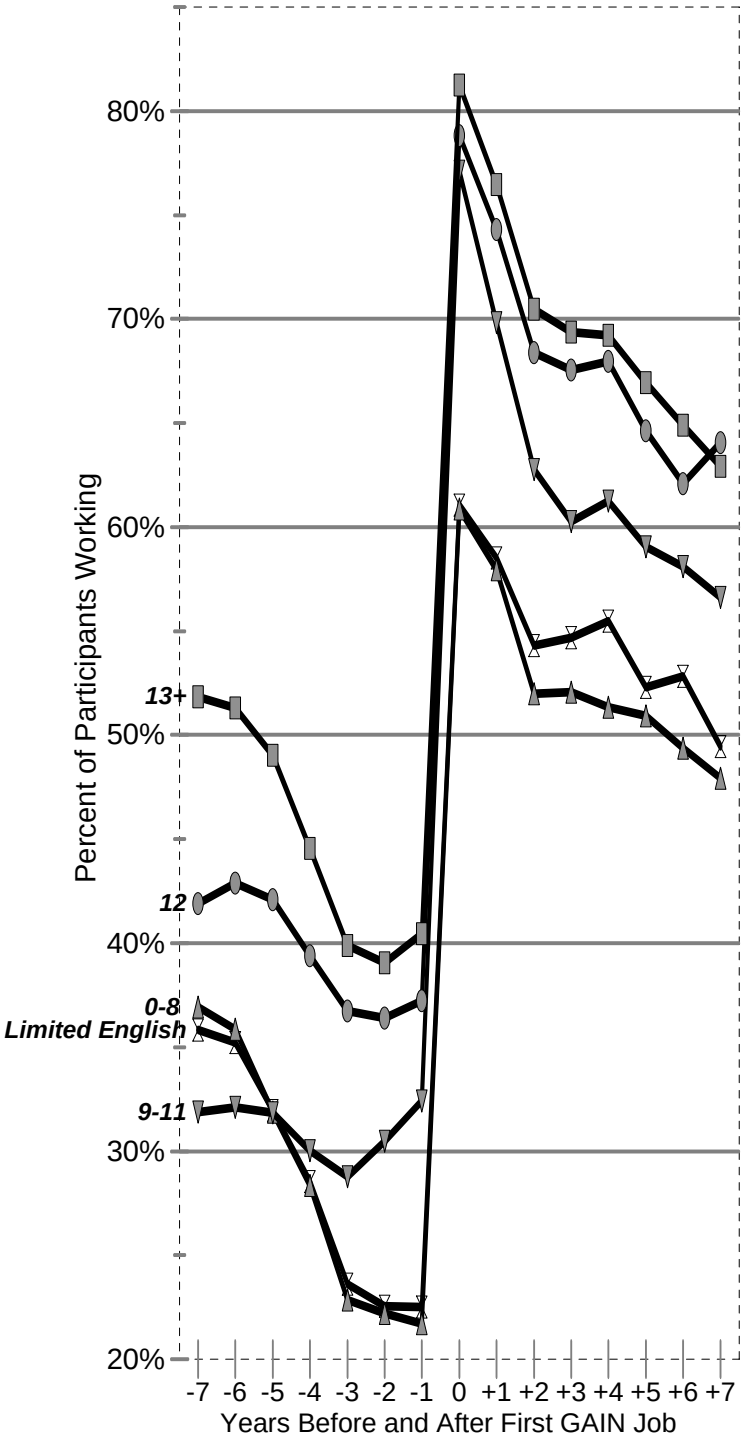


Figure 9
PERCENT OF GAIN WOMEN EMPLOYED
Composite Employment Rate by Education



Using this procedure we integrated the earnings records (converted to 1997 dollars) of 63,755 women whose GAIN records include an employment start date and educational information. Total earnings were averaged over all participants, who were grouped in five bands based on their level of education. The education bands are: (1) limited English, (2) 0-8 years, (3) 9-11 years, (4) 12 years, and (5) 13 or more years (at least some college).

The net effect of this composite overlay of earnings histories of the eight annul cohorts is to simulate 15 years of earnings for GAIN workers. Workers finding jobs in 1990 provide 7 years of post-employment history, and workers finding jobs in 1997 provide 7 years of pre-employment history. Together with the placement year this simulates 15 years of earnings.

In Figures 8-10, earnings and employment information for all women participants is integrated by aligning the year of the first GAIN job with the "0" on the bottom axis. For example, earnings of

women who got their first GAIN job in 1994 are aligned with the -4 to +3 range on the bottom axis of Figure 8, with 1994 earnings aligned with 0. Tables in the Appendix provide additional supporting information for Figures 8-10.

It is important to remember that the information at the center of this composite is most reliable. All eight annual cohorts are represented at the point above 0 on the bottom axis. With each increment from 0 on the bottom axis there is one less annual cohort represented. At the extremes, the –7 and +7 points on the bottom axis, only one annual cohort is represented.

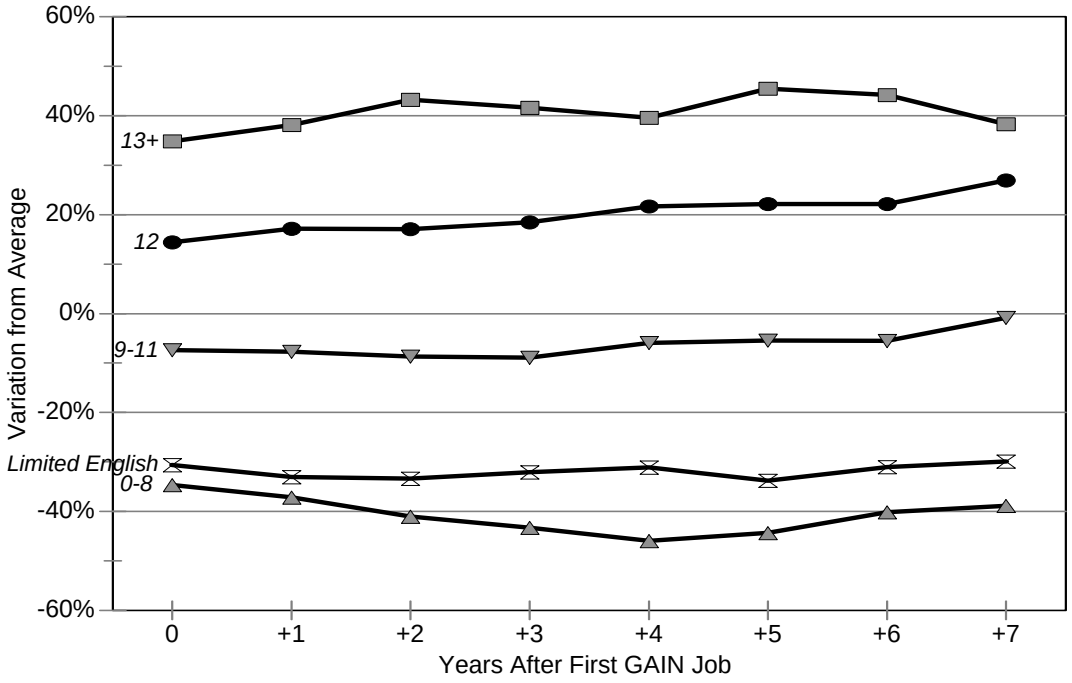
Figure 8 shows the average earnings of women in each educational band. Total earnings in each band have been converted to constant 1997 dollars and averaged over everyone in the band. Figure 9 shows the percent of GAIN workers in each educational band who had earnings any time during the year. Figure 10 shows how post-GAIN earnings of each educational band vary from the overall average earnings of all five educational cohorts.

What emerges is clear and persistent stratification in the amount of earnings and rate of employment based on level of education. Each band representing progressively higher levels of education has progressively higher levels of earnings and employment. The gap between those with more education and those with less precedes and follows participation in GAIN.

Figure 10

EARNINGS VARIATION BASED ON EDUCATION

Composite Earnings of Women in GAIN



- From the second through the seventh post-GAIN years there is a consistent gap averaging $5,010 between the best-educated group (those with college experience) and the least educated (those with 0 to 8 years of education).

- Both before and after GAIN the employment rate among those who have at least some college experience is an average of 17 percentage points higher than among those who have 0 to 8 years of education. The employment rates, as well as average earnings, of those with limited English are similar to those with 0-8 years of education.

- Earnings of all five education-skill groups show a stable relationship over time, resembling rungs on an income ladder with 20 percent variation in earnings between each of the top four rungs, and 10 percent variation at the bottom. Starting with the lowest earnings rung, the five groups in order of earnings are those with: (1) 0-to-8 years of education, (2) limited English, (3) 9-11 years of education, (4) 12 years of education, and (5) 13 or more years of education.

These persistent disparities in earnings based on level of education both before and after GAIN offer strong evidence that welfare recipients should be supported in achieving their highest education potential in order to become economically self-sufficient.

Outcomes of GAIN Workers Who Received Education and Training

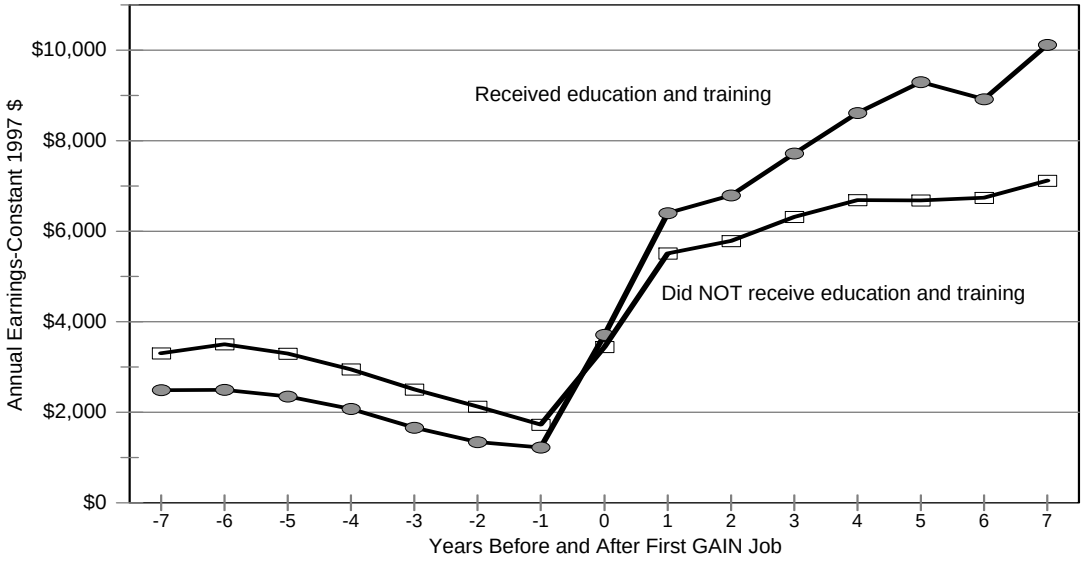
Using GAIN records it is possible to identify 12,198 participants who received education or training while they were enrolled in GAIN. These participants averaged about 12 percent of each annual cohort from 1990 through 1997. Participants typically found their way back to school or into training if they did not succeed in finding a job and an assessment by GAIN staff determined that they lacked basic skills.

- Those who received education or training entered GAIN with a history of lower earnings, but after GAIN had earnings 16 percent higher in the first year and 39 percent higher in the fifth year than those who did not receive education or training.

- Measuring the percent change in earnings (in constant 1997 dollars), participants who received education or training achieved an increase in earnings that is more than double the increase for those who did not participate in education or training.

Internal data from the GAIN program combined with earnings data presents a clear, multi-year pattern of higher earnings and a higher rate of earnings improvement among those who received education or training, despite their weaker pre-GAIN earnings history.

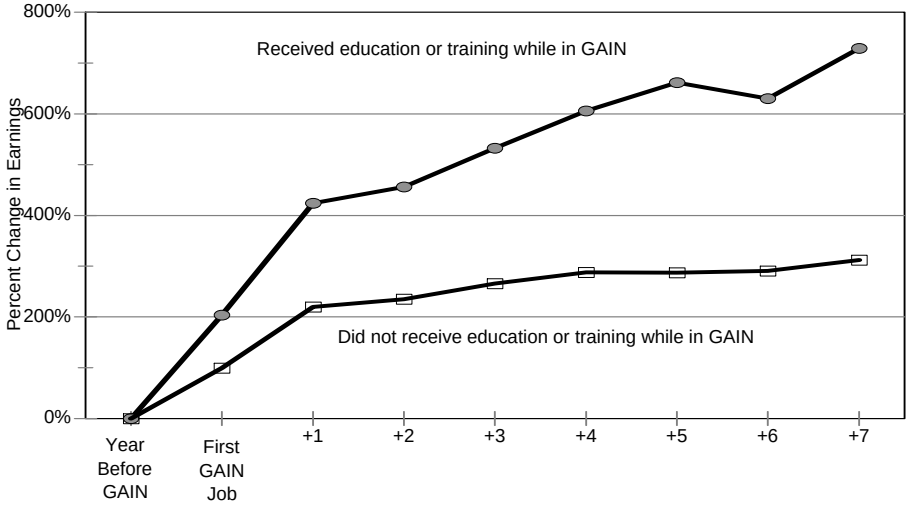
Figure 11
IMPACT OF EDUCATION AND TRAINING
Earnings of GAIN Participants 1990-97



Earnings of those who received education or training are compared to those who did not in Figure 11. Both trend lines show total earnings averaged over everyone in 1997 dollars.

The percent change in earnings for those who received education or training compared those who did not is shown in Figure 12. The base year for calculating change in earnings was the year preceding participants' first GAIN job. The graph shows the percent increase in earnings in the year of the first GAIN job and for the seven years that followed.

Figure 12
CHANGE IN EARNINGS FOR GAIN WORKERS
Compared to Year Before First GAIN Job



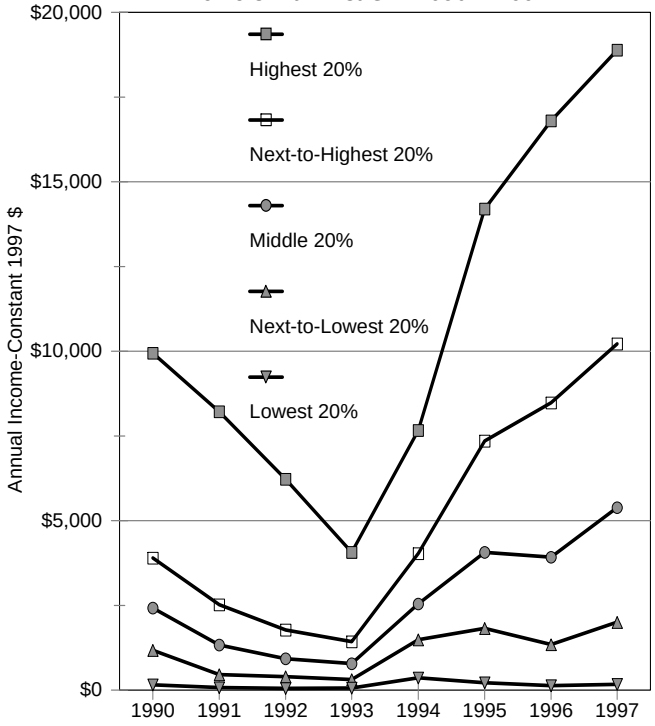
Distribution of Income among GAIN Workers

There is significant variation in the actual earnings of individuals that is not revealed by either average earnings of those with jobs or total earnings averaged over the entire population. For example, at any point in time the welfare population includes individuals who have short, one-time episodes of poverty. This might be a schoolteacher or nurse who goes through a financially damaging divorce and has a sick child. At the other end of the spectrum are individuals with low levels of education and high levels of personal vulnerability who struggle to hold intermittent jobs, perhaps as janitors or food preparation workers.

To understand the distribution of earnings among GAIN workers we took the cohort that found their first post-GAIN jobs in 1994 (1994 was chosen because it is equally divided between pre- and post-GAIN, and allows four years for post-GAIN increases in earnings) and divided the workers into five groups based on their level of earnings. Total earnings over the entire period of 1990 through 1997 (in constant 1997 dollars) was used to create these income bands, with the highest 20 percent of earners in the top band, on down to the lowest 20 percent of earners in the bottom band. *The result is shown in Figure 13.*

The top band of earners has a descent into poverty that is as steep and abrupt as their emergence into sustaining jobs after GAIN. The second-best-paid band moved into GAIN with a much lower earning base but had rapid post-GAIN increases in earnings. The third and fourth bands had progressively weaker post-GAIN earnings increases. And the fifth, or bottom, band hugs the $0 earnings line both before and after GAIN, with just a flicker of post-GAIN earnings. These earnings patterns, which are consistent over an eight year period, suggest that different groups within GAIN are on fundamentally different labor market trajectories and have significantly different needs in order to become economically self-sufficient.

Figure 13
EARNINGS BY INCOME BAND
Workers with First GAIN Job in 1994



The highest income band has the highest percent

of workers with identifiable college experience.[22] Among participants in the income band with the lowest earnings, over half did not have a high school diploma.

A second investigation into the relationship between level of education and employment outcomes was undertaken by studying long-term GAIN workers. These were 26,324 women and men who got their first GAIN job between 1990 and 1994. By looking only at workers who got GAIN jobs in 1994 or earlier, we allowed time for the earnings increases that typically follow GAIN to occur. We then looked at their earnings in 1997.

To study the distribution of earnings in 1997, we classified workers in two ways. First, we divided them into six income bands, three above the poverty threshold for a single person and three below the poverty threshold. The poverty threshold for a single person is significant because adults will lose their welfare benefits after five years, but children will keep their benefits until they are eighteen years old. Ideally, a parent will have enough earnings to lift her entire family out of poverty, but if not, and if the parent loses benefits for herself and has earnings below the poverty level for one person, then the family unit will be vulnerable to a collective decline in its living standard. And second, we also divided them into five education and English ability groups.

We found that 65 percent of this group of long-time GAIN workers had incomes in 1997 that were below the poverty threshold for just one person, that is, below $8,350. An examination of the distribution of workers within each education group among income bands shows that the income band just above the poverty level has a roughly equal share of each education group. All levels of educational attainment are represented in every income band, but the highest percent of better-educated people is in the top income band, and the highest percents of people with the lowest level of education (0 to 8 years) and limited English ability are in the bottom income band.

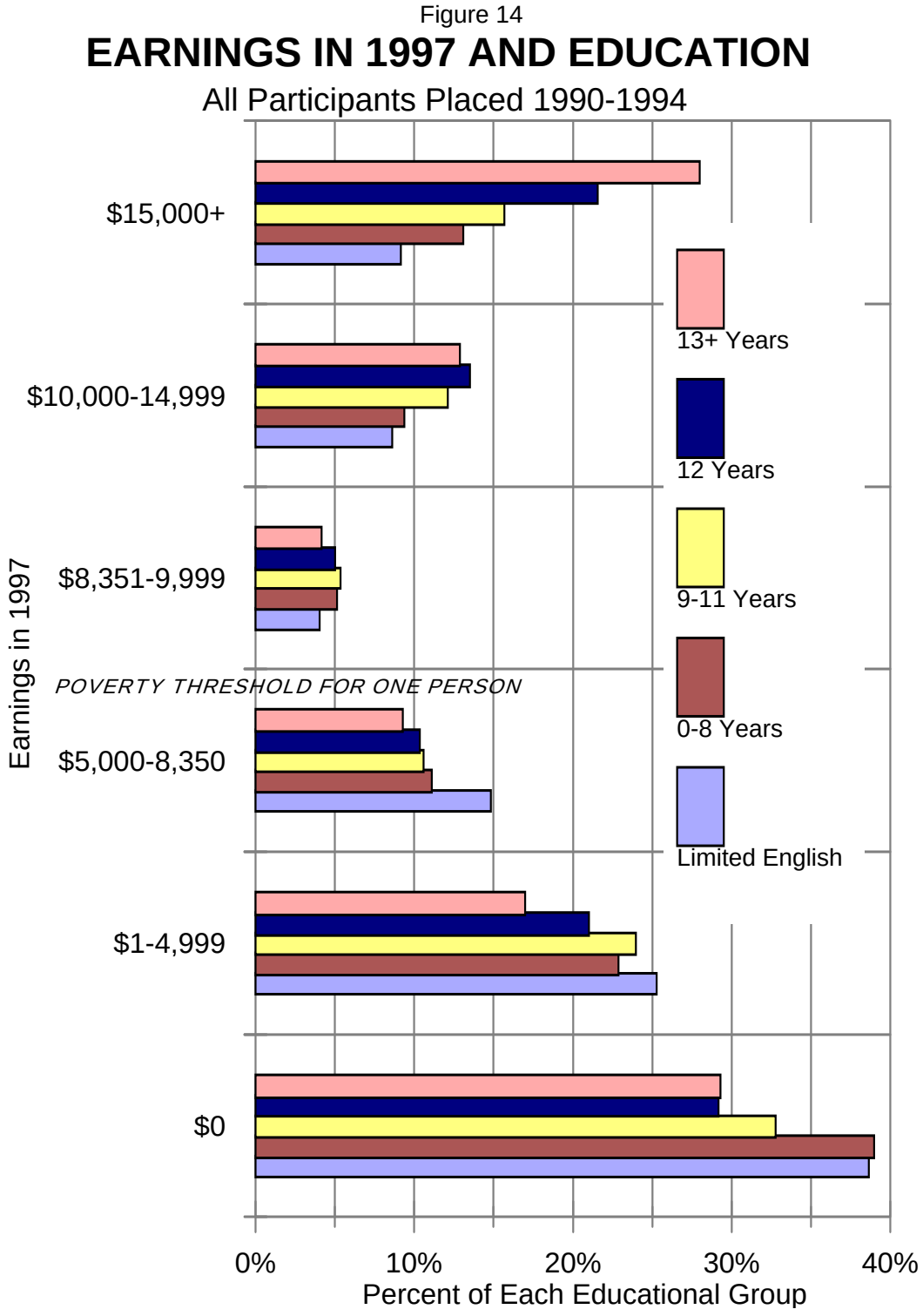
Education is not by itself a silver bullet that eradicates poverty, but findings in this report indicate that it is the single most powerful factor affecting incomes of the working poor. It is also the most readily available and administratively feasible remedy for helping the working poor become economically self-sufficient.[23]

Figure 14 shows the distribution of GAIN workers from five education/English ability groups across six income bands. The middle income point is the poverty threshold for one person. The graph shows men and women who got their first GAIN job in or before 1994.

[22] The highest income band also had the highest percent of workers whose level of education is not identified. If GAIN participants' level of education was not identified it suggests they had found a job quickly on their own without taking part in activities where this information was collected. This ability to find a job quickly and independently suggests higher levels of skill and education.

[23] For an analysis of multiple factors affecting welfare dependency (including an employed spouse or partner, presence of a child younger than six years, age of recipient, access to transportation, knowledge about the welfare system, and health problems) see Rosina M. Becerra, Vivian Lew, Michael N. Mitchell, and Hiromi Ono, *California Work Pays Demonstration Project: Report of First Forty-Two Months*, Work Policy Research Group, School of Public Policy and Social Research, UCLA, Los Angeles, October 1998, pp. 83-95.

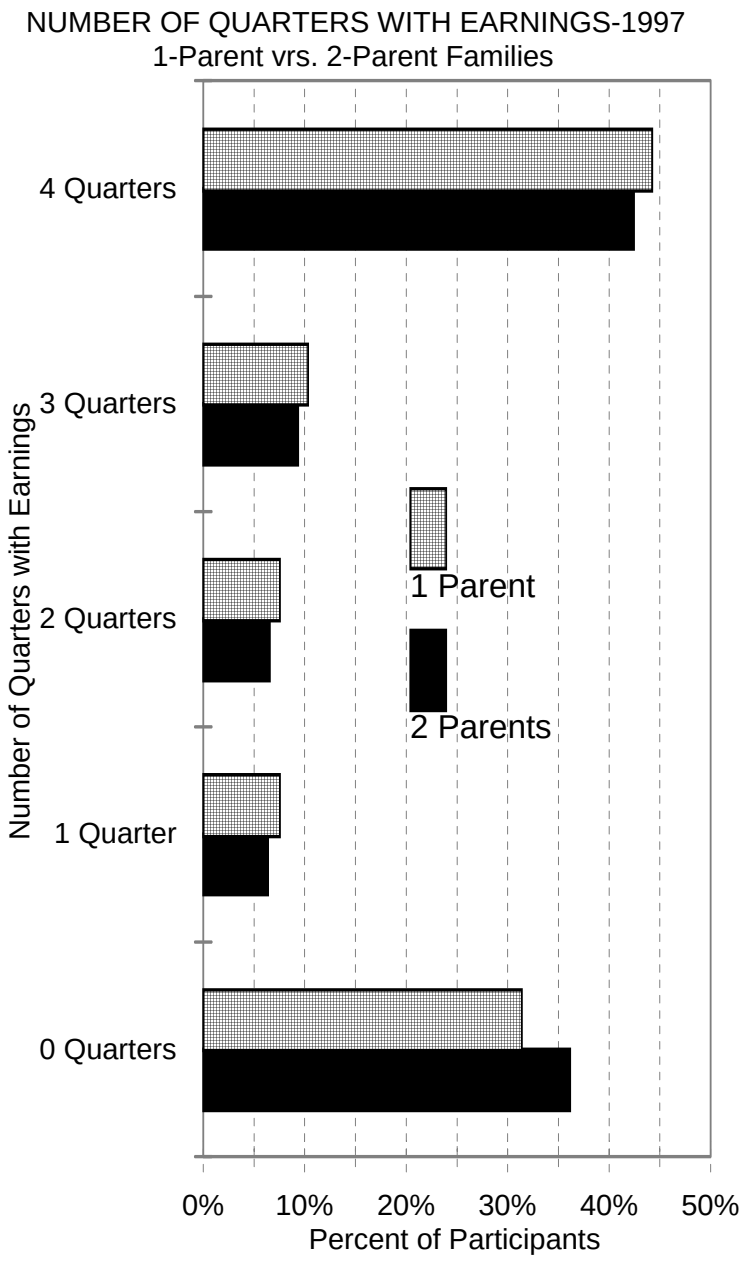
Figure 14


EARNINGS IN 1997 AND EDUCATION
All Participants Placed 1990-1994
$15,000+
$10,000-14,999
$8,351-9,999
POVERTY THRESHOLD FOR ONE PERSON
$5,000-8,350
$1-4,999
$0
Earnings in 1997
13+ Years
12 Years
9-11 Years
0-8 Years
Limited English
0%
10%
20%
30%
40%
Percent of Each Educational Group

Employment Levels Among Two-Parent Families

Federal welfare reform legislation sets higher employment standards for families with two parents than for those with one parent. Roughly one-fifth of TANF households in Los Angeles County have two parents present. Under TANF provisions, as many as 90 percent of two-parent families are required to have an adult member participating in work or work-related activities.

Figure 15



We looked at 1997 employment rates among one- and two-parent families of the 26,324 women and men who got their first GAIN jobs between 1990 and 1994. Employment levels among two-parent households were slightly lower than among one-parent households. Among workers from two-parent households, 42 percent worked 4 quarters, 9 percent 3 quarters, 6 percent 2 quarters, 6 percent 1 quarters, and 36 percent had no earnings.

These low levels of employment among long-term GAIN workers in two-parent households indicate that the county will have difficulty complying with federal employment requirements for these families.

Figure 15 shows quarters of employment for one- and two-parent families.

Earnings and the Poverty Threshold for Families

A final measure of employment outcomes is the ability of workers to lift their families out of poverty. To assess the extent to which workers' earnings lifted their families above the poverty level we determined the size of each family, and looked at the year-by-year earnings of long-term GAIN workers as a percent of the poverty threshold for each family in each year. Long-term workers included only those who had gotten their first GAIN job by the first quarter of 1995. This allowed an assessment of at least three years of each worker's post-GAIN earnings.

We grouped workers into six poverty-related bands, with three bands above the poverty level and three below. The bottom band represents workers with no earnings, the second band workers whose earnings up to half of the poverty threshold. These two bands accounted for 57 percent of workers in 1997. Adding in the third band, which represents workers with earnings between 50 and 99 percent of the poverty level, a total of 74 percent of long-term workers had incomes in 1997 that were insufficient to lift their families out of poverty.

In 1997, only 26 percent of long-term GAIN workers were able to lift their families out of poverty.

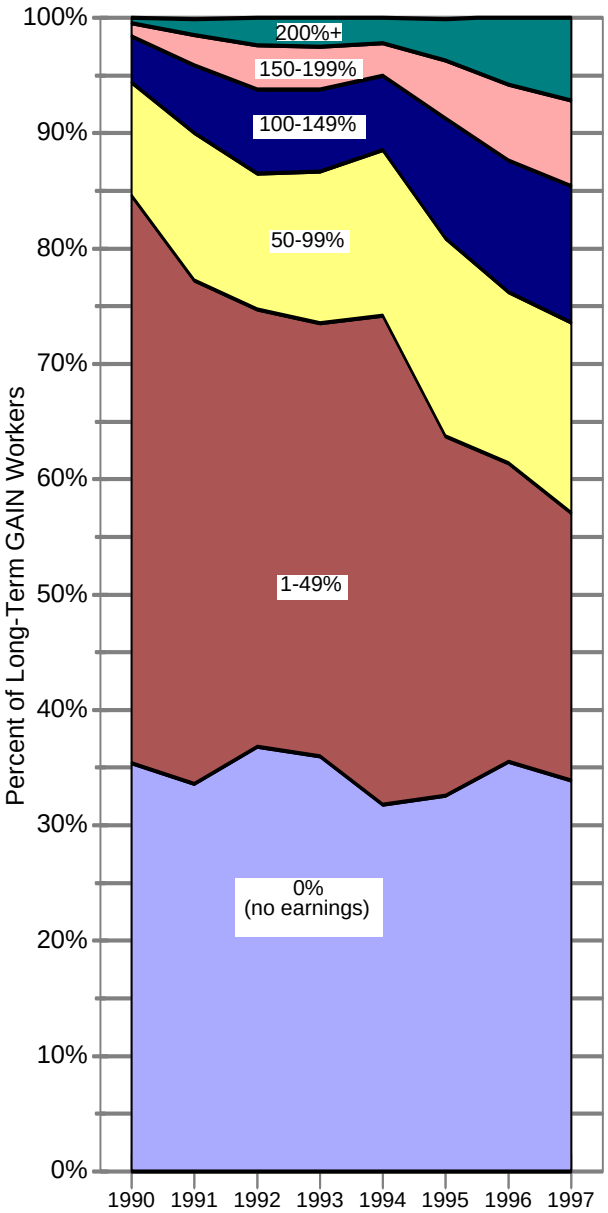
Figure 16 shows the year-by-year income distribution of long-term GAIN workers. For each year from 1990 to 1997, workers were assigned to one of six income bands based on the extent to which their earnings lifted their families out of poverty.

Figure 16

EARNINGS AND FAMILY POVERTY LEVEL

Long-Term GAIN Workers 1990-1997

Each band shows earnings as a percent of the poverty threshold



Summary of Findings about Earnings of Welfare Workers

1. Over the eight-year period of 1990 to 1997, the quarterly employment rate among GAIN workers was an average of 29 percentage points higher after they went through GAIN than before (56 percent versus 27 percent).

2. A total of 86 percent of GAIN workers had employment that appears in the State of California Unemployment Insurance files.

3. Approximately 12 percent of GAIN workers took part in education or training programs. Those who received education or training entered GAIN with a history of lower earnings, but after GAIN had earnings 16 percent higher in the first year and 39 percent higher in the fifth year than those without education or training.

4. Contrary to earlier findings by MDRC, participants in the first phase of GAIN that emphasized basic education have had significant long-term improvement in earnings. Among comparable participants, those who were enrolled in this first phase have the highest average earnings of any group served by GAIN.

5. Education is a key factor in determining whether GAIN participants become economically self-sufficient. From the second through the seventh post-GAIN years there is a consistent gap averaging $5,010 between the annual earnings of the best educated group (those with college experience) and the least educated (those with 0 to 8 years of education).

6. Both before and after GAIN the employment rate among those with at least some college is an average of 17 percentage points higher than among those who have 0 to 8 years of education. The employment rates, as well as average earnings, of those with limited English are similar to those with 0-8 years of education.

7. Monthly earnings of GAIN workers who had jobs were $36 lower in 1997 than in 1990(in constant 1997 dollars).

8. Average annual earnings of GAIN workers with jobs have declined in relationship to the average pay for a job in the Los Angeles labor market (from 25.7 percent in 1990 to 24.1 percent in 1997).

9. Employment levels among two-parent households are slightly lower than among one-parent households. Thirty-six percent of two-parent households had no employment in 1997, and only 42 percent worked all four quarters of the year.

10. After an initial jump, earnings tapered-off at a level that left 65 percent of long-term GAIN workers below the poverty threshold for just one person, and 74 percent below the poverty threshold for their families in 1997.

Chapter 3

Industries Employing Welfare Workers

Overview of Labor Market Changes

We shift our attention now to the industries that employ welfare workers and the quality of jobs they offer. This illuminates the practical opportunities available for public assistance recipients seeking to eliminate their dependence on aid through paid work. Workers attempting to leave welfare are asserting an increasing presence in a labor market that is increasingly polarized between high-wage professional, managerial, and technical jobs on the one hand, and low-wage production, retail, and service jobs on the other.[24] Jobs in the middle providing good wages and benefits are shrinking. See the Appendix for a discussion of the industry context of welfare employment.

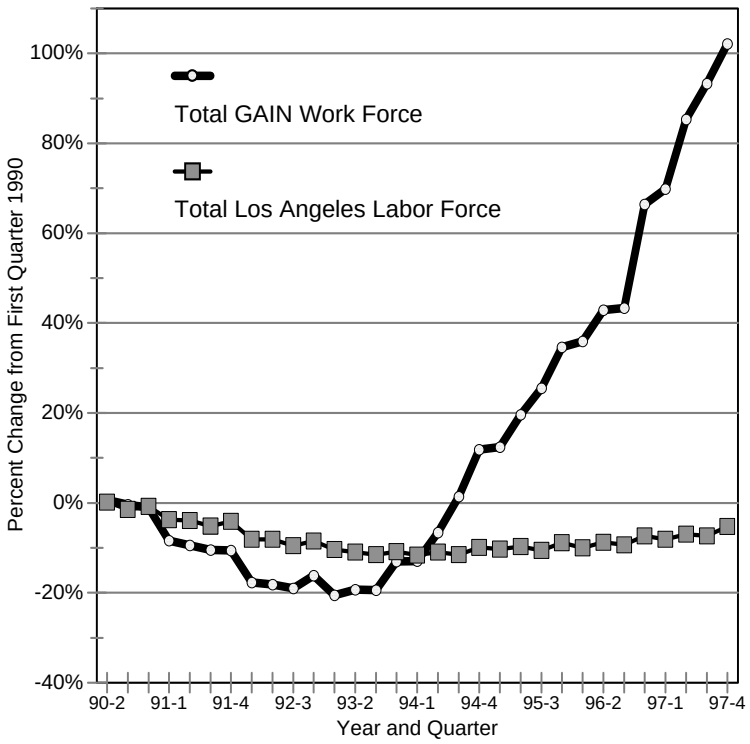
Figure 17 shows change from the first quarter of 1990 in the number of GAIN workers in the total population studied who were employed, compared to change in the total number of employed workers in the county.

The number of GAIN workers who had jobs increased by 126 percent from 1990 to 1997. During this same time, the total number of employed workers in Los Angeles County declined by 5 percent.[25]

Figure 17

CHANGE IN EMPLOYMENT IN ALL INDUSTRIES

Gain Workers vrs. Total Labor Force



[24] For an analysis of income polarization in California see Deborah Reed, Melissa Glenn Haber and Laura Mameesh, *The Distribution of income in California* and Deborah Reed, *California's Rising Income Inequality: Causes and Concerns*, Public Policy Institute of California, 1996 and 1999, respectively.

[25] Employment rates for GAIN workers are derived from Employment Development Department earnings records for the 99,469 participants in our database. Information about the total number of employed workers in Los Angeles County is from the Labor Market Information Division of the Employment Development Department.

At first glance, employment among GAIN workers appear to have defied the general economic forces influencing the overall Los Angeles labor market, but the picture becomes clearer when we look at earnings as well as employment rates. Required by welfare reform to become employed, these workers have strong incentives to find jobs, yet the positions available to them in the labor force are tenuous.

Like all other workers, GAIN participants are subject to the job opportunities available from employers, and the quality of those opportunities is sensitive to labor market conditions. Increasing numbers of welfare workers have found jobs during this decade, but this population worked for diminishing amounts of pay until the end of 1995. The average earnings of GAIN workers declined together with total employment in the Los Angeles labor market from the onset of the 1990 recession through 1992. However, even after overall job loss slowed in 1993 and the economy entered a period of stagnation, earnings of welfare workers continued to decline for two more years *(see Figure 18).*

The probable explanation for continued shrinkage in the paychecks of welfare workers after the labor market stabilized is reduction in the number of hours they worked. Earnings are a proxy for total number of hours worked per quarter, and during the recession many were probably reduced to part-time work. Because most are at the fringes of the labor market, the rising tide that lifted other ships appears to have taken longer to reach them.

Figure 18 shows percent change in the total number of employed workers in Los Angeles County compared the first quarter of 1990, and percent change in earnings (in constant 1997 dollars) of employed GAIN workers, also compared to the first quarter of 1990.

Figure 18

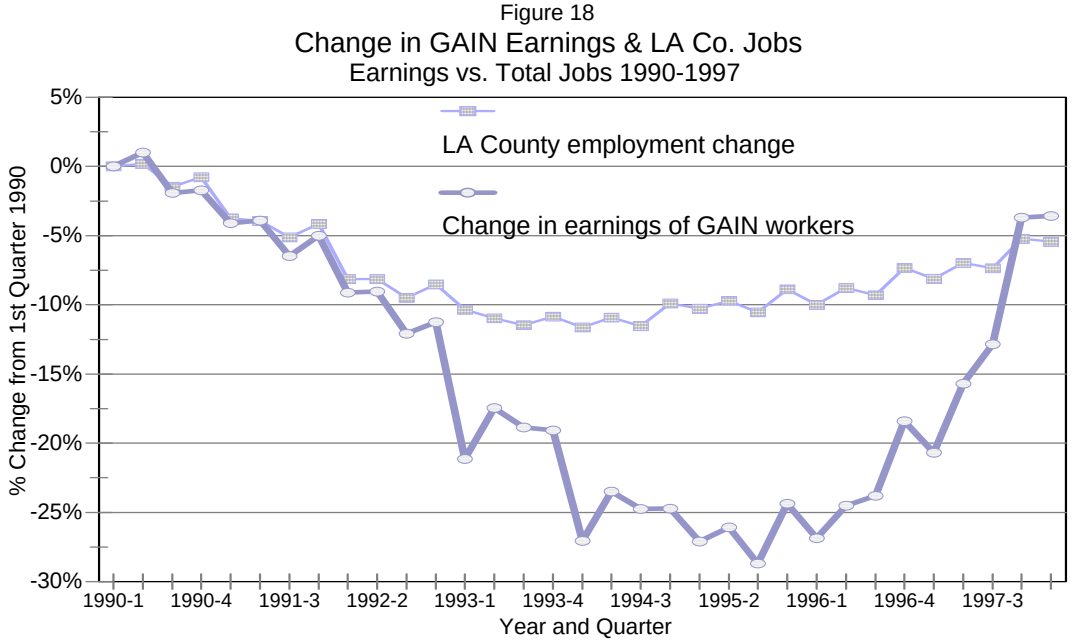


Figure 19
Total GAIN Employment Change (Left Axis), and
Total Los Angeles County Employment Change (Right Axis):
Two-Quarter Moving Averages, Quarter-to-Quarter Percent Change
Los Angeles County, 1990-1997

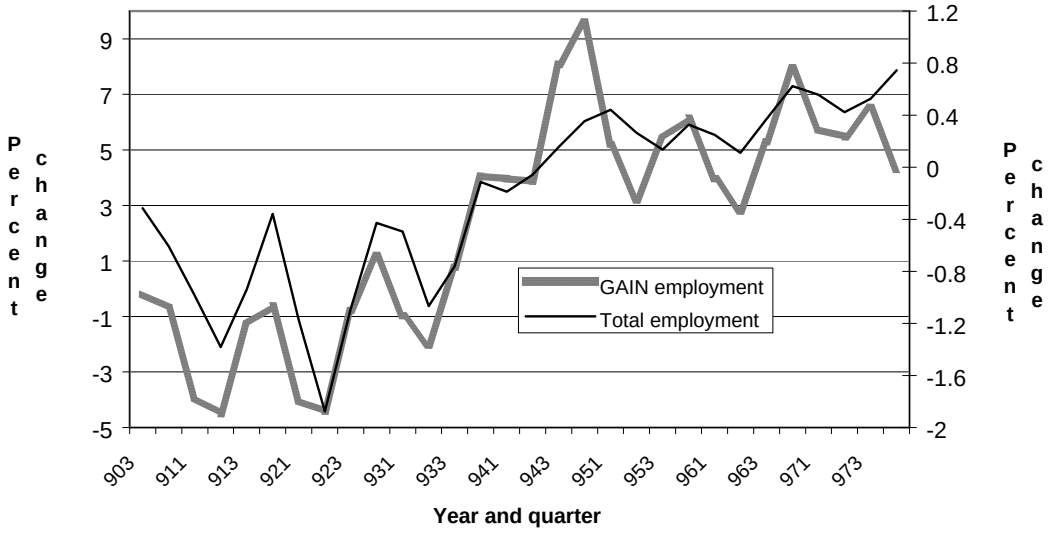


Figure 19 shows quarter-to-quarter percent changes in the number of GAIN workers who were employed, along with percent changes in the total wage and salary work force in Los Angeles County from 1990 through 1997. The scale representing employment change among GAIN workers is on the left side of the graph. It has a range of change that is five times as large as the range of change in total employment, shown on the right side of the graph. Thus, changes in GAIN employment represent swings that are greatly amplified versions of corresponding, but more moderate, changes in the total labor market. These quarter-to-quarter changes in both GAIN and total labor force employment levels can be seen as bursts of acceleration and deceleration in a general trajectory of wage and job loss from 1990 through mid-1993, and then growth through 1997.

When we look at changes in employment levels of GAIN workers on a quarter-to-quarter basis rather than over the entire eight-year interval we see a closer connection between earnings and changes in the total labor market.[26] While changes in employment and earnings of GAIN workers are closely tied to trends in overall county employment levels,

[26] For each of the two data elements (employment of GAIN participants and total labor force), quarter-to-quarter percent change was calculated. In observing the quarterly changes, it was apparent that change in the level of employment of GAIN participants tended to lead the change in overall employment by one or two quarters. The data were therefore adjusted by lagging (moving forward) the GAIN data by one quarter. A regression of the data was performed, with the quarterly percent change in the Los Angeles total wage-and-salary data used as the independent variable and the quarterly percent change in GAIN employment as the dependent variable. The regression procedure for total county wage and salary employment/GAIN employment produced an R-square value of 0.82, and an adjusted R-square value of 0.81. These values were highly significant, and demonstrate a very strong relationship between the two variables. A similar regression using quarter-to-quarter changes in GAIN earnings as the dependent variable and changes in total county employment as the independent variable produced an R-square value of 0.65, and an adjusted R-square value of 0.64.

they have a degree of fluctuation that is roughly five times greater than corresponding changes in the overall labor market. This is because GAIN workers are a contingent labor force experiencing high rates of job turnover.

This finding suggests a strong relationship between the performance of the Los Angeles economy and its level of job creation and the amount of wages that adults who are receiving public assistance can obtain through employment. GAIN workers can be seen as a segment of the labor market that tends to work in less secure and lower-wage jobs, and who thus have frequent periods of unemployment and low earnings. There is probably much movement into and out of public assistance among this segment of the overall working population, with a significant number of these families experiencing chronic poverty. Their fortunes tend to rise and fall with the work experience of the total working population, but the class of workers represented by GAIN participants is simply more vulnerable in times of economic decline or stagnation. This analysis tends to suggest that a shortage of jobs of any kind is the primary reason that most adults are forced to seek public assistance, and the low wages earned by GAIN workers confirms their tenuous position in the job market.

Changes in Industries Employing Welfare Workers

The job structure for welfare workers (and the working poor in general) in the Los Angeles region is a product of industrial restructuring, international migration, and weaker institutional protection for workers. Industrial restructuring refers to changes made by firms in response to competitive pressures, including the levels and types of employment, technology, mergers and acquisitions, corporate reorganization, and locations of plants and offices. In Los Angeles, the manufacturing and financial sectors in particular have experienced significant decline in the last two decades, resulting in the loss of tens of thousands of jobs paying wages that enabled families to be economically self-sufficient.

A list of 45 industries (at the 3-digit SIC level) employing the greatest number of welfare workers in 1997 includes only 5 manufacturing industries, all with declining shares of employment opportunities for GAIN workers *(see Figure 20)*. Only one financial sector industry (banking) makes the list, and its share of jobs also declined.

The top three industries accounted for one-quarter of all jobs found by welfare workers. Over the past eight years these three industries have also experienced the greatest change in the share of welfare jobs they provide. Personnel supply service businesses (e.g., temporary employment agencies) are the largest employer of welfare workers, accounting for 13 percent of jobs. Their share of welfare employment has more than doubled since 1990. Eating and drinking places are second, employing 8 percent of welfare workers, but with a share that has declined by a third. And elementary and secondary schools employ 7 percent, with a share that has nearly doubled. In the interests of the children at these schools, it would be beneficial to explore how parents they employ can be paid a living wage.

Figure 20 shows change between 1990 and 1997 in the share of GAIN workers employed in the 45 industries that account for the greatest number of their jobs. The largest employer, the personnel supply services industry, is at of the top of the graph, with industries listed in descending order by the number of GAIN workers they employed from 1990 to 1997. Change in each industry's share of the GAIN workforce was calculated by subtracting each industry's share of total GAIN employment in 1990 from its share in 1997. Because the level of employment among these workers increased between 1990 and 1997, some industries such as eating and drinking places employed increased numbers of GAIN workers, even though their share of the total GAIN workforce declined.

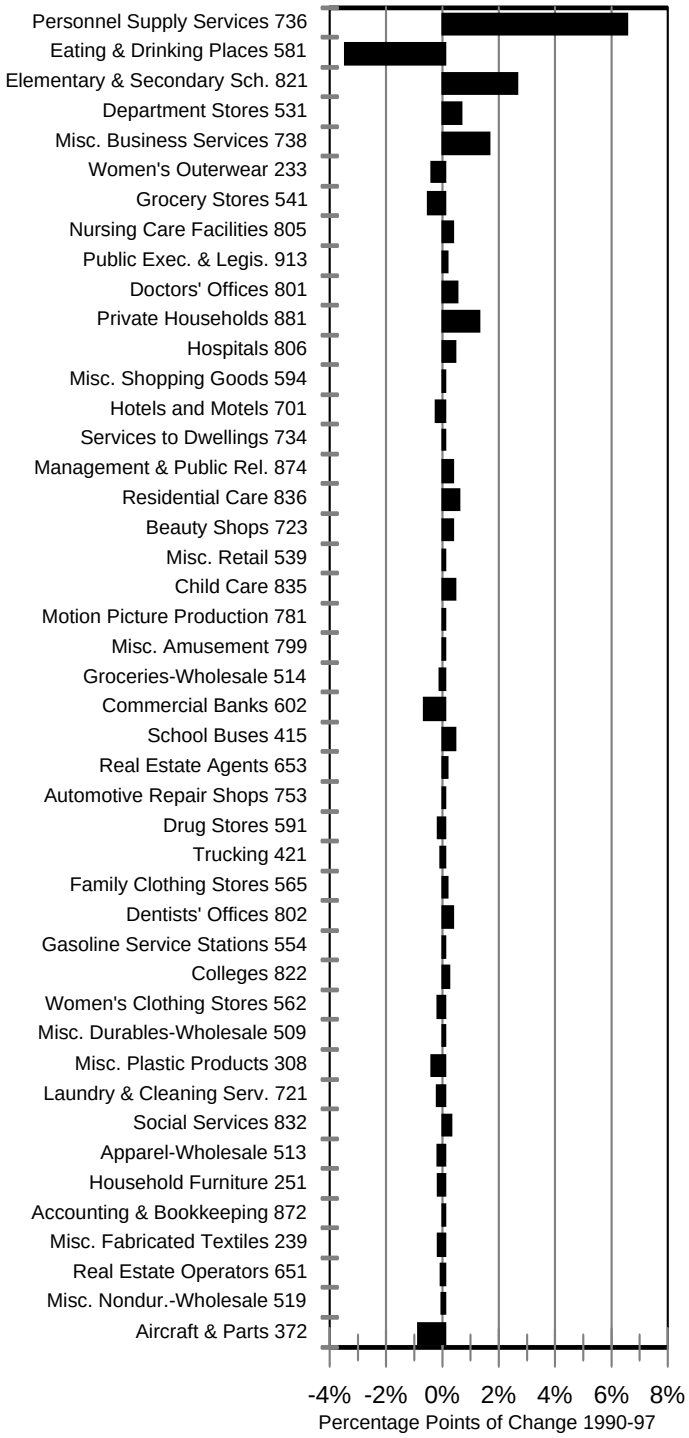
To summarize, the findings about changes in the job market for workers trying to leave welfare show that:

- Employment increased more rapidly among GAIN workers than in the overall labor market from 1990 to 1997.

- Changes in the earnings and employment rate of GAIN workers appear to replicate on an exaggerated scale more moderate fluctuations affecting the total work force.

Figure 20

CHANGE IN DISTRIBUTION OF WELFARE JOBS
Change from 1990 to 1997, LA County



- Jobs for welfare workers, and the overall labor force, have declined in the manufacturing, financial sectors, and grown in service sectors. But unlike others in the labor force, GAIN workers have found increased employment in the retail sector.
- One-in-ten jobs held by welfare workers in 1997 were provided by temporary employment agencies, emphasizing their role as contingent workers.

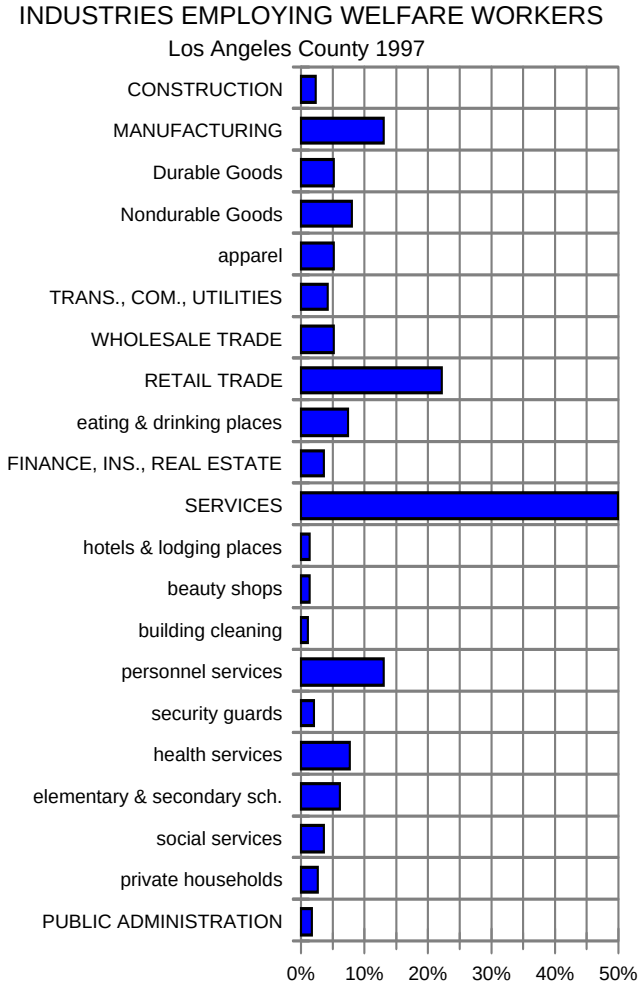
Industrial Distribution of GAIN Workers

Most public assistance recipients entering and re-entering the labor market compete for low wage jobs in the retail and service sectors. Three in four GAIN workers in the Economic Roundtable files were employed in these two sectors in 1997. There is a secondary concentration of GAIN workers in manufacturing, and a scattering of workers in construction, transportation, utilities, finance, and public administration. Few GAIN participants found jobs in higher-wage industries.

This discussion of industries employing GAIN workers uses data for the third quarter of 1997 provided by the Employment Development Department. In that quarter, a total of 59,371 persons in our files were working. By exploring this data we can identify the average earnings of workers by industry, industry niches where they are concentrated, and the ratio of earnings by GAIN workers to other workers in the same industries.

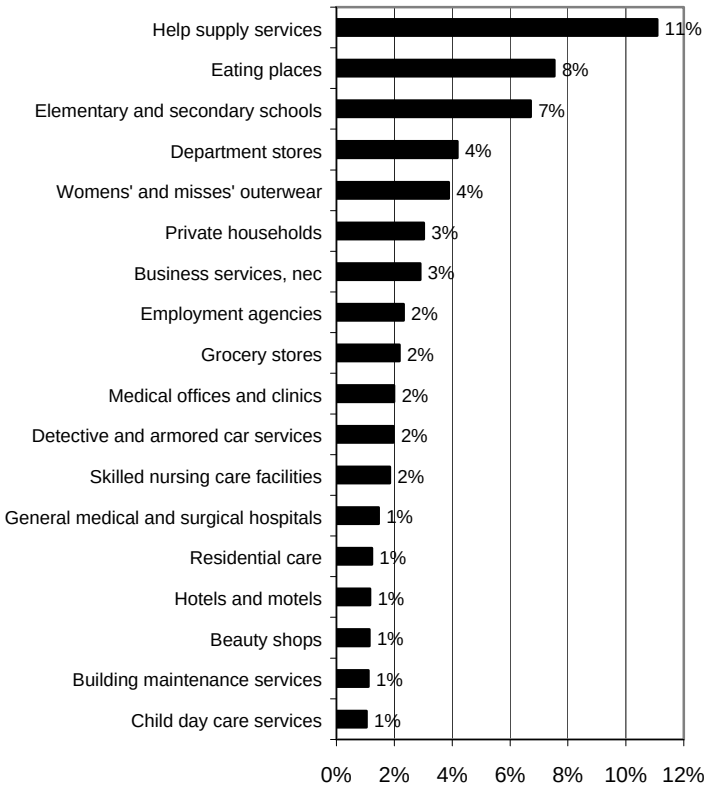
Figure 21 shows the distribution of GAIN workers by industry in 1997. The graph shows major industry divisions and selected 2- and 3-digit SIC classifications within each division.

Figure 21



Based on a review of industries employing GAIN workers we identified 18 industries employing the most workers (at the 4-digit SIC level) for further analysis. Fourteen of these industries were in the service sector, 3 were in retail trade, and 1 was in manufacturing. Each of the 14 industries accounted for at least 1 percent of GAIN jobs.

Figure 22
INDUSTRY DISTRIBUTION OF GAIN WORKERS
Percent of GAIN Workers in Third Quarter, 1997



Service industries employed over half of all GAIN workers. Noteworthy industries in this sector included the temporary help supply industry in which one in nine GAIN workers (11 percent) were employed,[27] elementary and secondary schools (7 percent), miscellaneous business services, which includes security guards (3 percent), and private households (3 percent – with many more in the informal sector).

Next to services, the major concentration was in retail trade, which employed 23 percent of all GAIN workers. One in thirteen GAIN workers (8 percent) were employed in restaurants and other eating places. High concentrations of GAIN workers were also found in department stores (4 percent) and grocery stores (2 percent).

Compared to the workforce as a whole, GAIN workers were under-represented in manufacturing. Higher wage durable manufacturing industries employed 6 percent of GAIN workers, and non-durable manufacturing industries 9 percent. Over a third of the GAIN workers in manufacturing were in apparel and textile factories.

Figure 22 ranks the 18 industries (at the 4-digit SIC level) that employed the most of GAIN workers in the third quarter of 1997, and shows the percent employed by each.

[27] This is a 4-digit SIC industry within the larger 3-digit personnel services industry employing 13 percent of GAIN workers.

Earnings of GAIN Workers by Industry

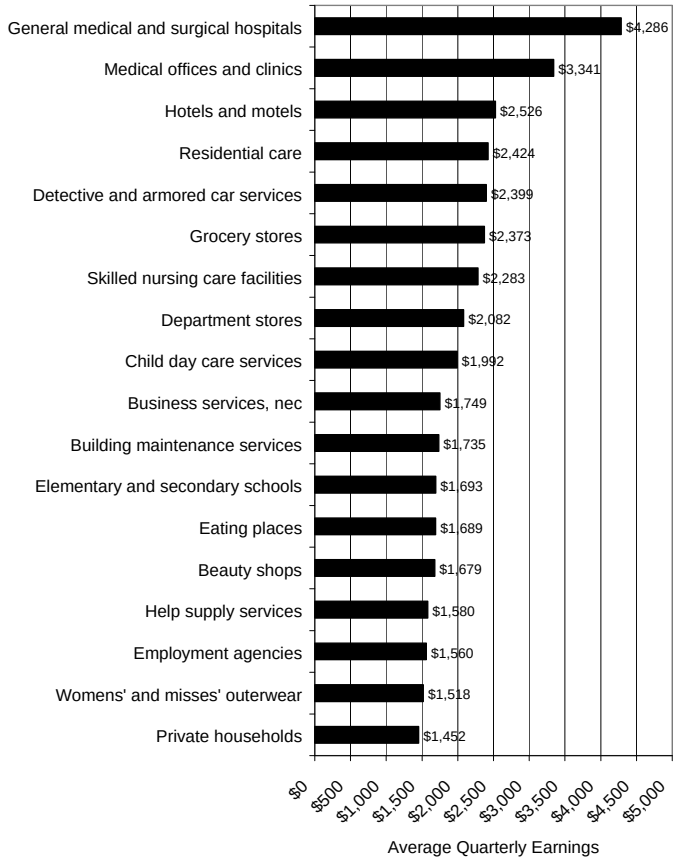
The goal for GAIN workers has been that they should find entry-level jobs and work their way up. But what are the possibilities for moving up in industries that employ GAIN workers? The first part of the answer lies in looking at earnings GAIN workers have been able to achieve in each industry. And the second part lies in looking at prevailing salaries in these industries in comparison to the overall average salary in Los Angeles County.

The average quarterly earnings of GAIN workers in each industry were uniformly low, ranging from a low of $1,452 for workers employed by private households to $4,286 for workers employed in hospitals (earnings are for the third quarter of 1997). The health care industry was the only industry in which the average earnings of GAIN workers could be considered close to the level needed for economic self-sufficiency. The average quarterly earnings of workers in medical offices and clinics were $3,341, second only to the earnings of hospital workers.

In 10 of the 18 industries, GAIN workers earned less than $2,000 in the three months covered by the quarter, corresponding to an annual income well below the poverty level. Next to private households, industries in which GAIN workers earned the least were women's and misses' outerwear ($1,518), employment agencies ($1,560), help supply services ($1,580), beauty shops ($1,679), eating places ($1,689), and elementary and secondary schools ($1,693).

Figure 23 shows the average earnings by industry of GAIN workers in the third quarter of 1997. The earnings amounts shown are the total for the three months in the quarter. The 18 industries shown are at the 4-digit SIC level, and are those employing the most GAIN workers

Figure 23
AVERAGE EARNINGS BY INDUSTRY
GAIN Workers in Third Quarter, 1997



With the exception of the health care sector, industries with the highest concentrations

of GAIN workers are low-wage industries. This was determined by calculating the ratio of average earnings of the labor force within each industry to the average earnings of all workers in Los Angeles County.[28] Average earnings of the medical offices and clinics, and hospitals labor forces were 48 and 14 percent higher, respectively, than average earnings in the county. In 16 of the 18 industries, average industry earnings were below the county average, and in 7 they were less than half of the county average. Workers in eating places had the lowest earnings, only 34 percent of the county average. Other industries with very low average earnings were beauty shops (41 percent), women's and misses' outerwear factories (44 percent), department stores (44 percent), child day care services (45 percent), building maintenance services (46 percent), and detective and armored car services (46 percent). In the remaining industries, average earnings were between 51 and 79 percent of the county average.

Figure 24
INDUSTRY EARNINGS RATIOS
Industry Average/LA County Average

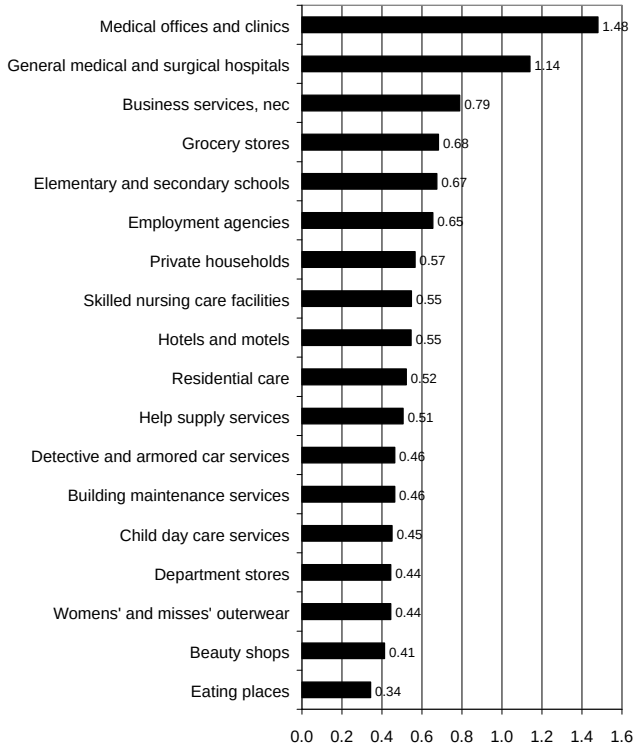


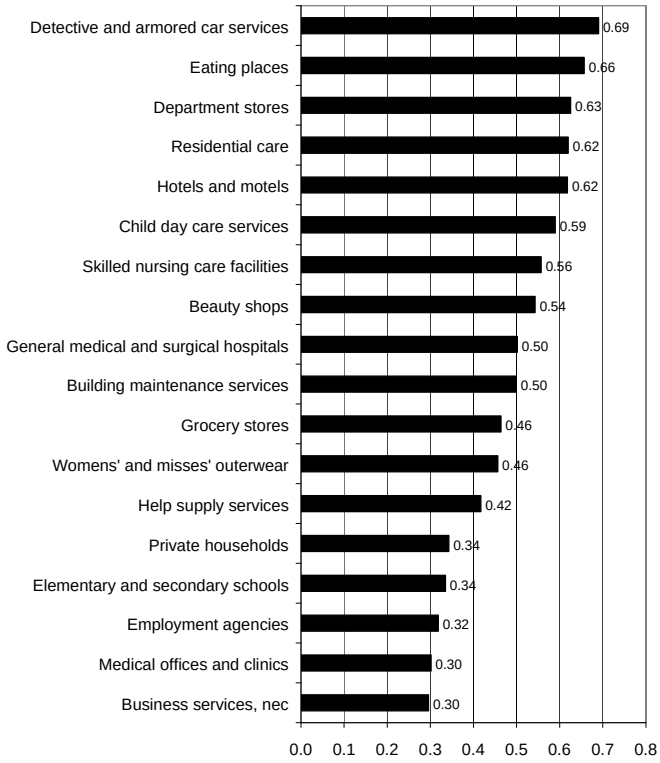
Figure 24 shows the ratio of average industry earnings (for all workers in each industry) to the average earnings of all workers in Los Angeles County. For example, the ratio of .34 shown for eating places indicates that the average earnings of all workers in this industry are only 34 percent of average earnings for all workers in Los Angeles County.

Within these low wage industries, GAIN workers had earning that were well below the average for each industry. The average earnings ratio of GAIN workers to all workers in each industry ranged from a high of 69 percent in detective and armored car services to a low of 30 percent in miscellaneous business services. The average earnings of GAIN

[28] Source: the US Department of Commerce, County Business Patterns, 1995. Countywide average earnings for workers in each industry were calculated in 1995 dollars and converted to 1997 dollars based on changes in the Consumer Price Index for urban consumers in Los Angeles, Riverside and Orange counties.

workers were well below the self-sufficiency standard established by the State Organizing Project for Family Economic Self-Sufficiency.[29] The self-sufficiency standard is based on the minimum earnings necessary for a family to pay for basic needs without public assistance. For example, the annual self-sufficiency standard for one adult with an infant in Los Angeles County is $25,850. For one adult with a preschooler and a teenager, the annual standard is $30,165. This latter target is about 12 percent less than the average 1997 earnings of all workers in the county labor market.

Figure 25
EARNINGS RATIO
GAIN Workers/All Workers in the Industry



Most GAIN workers are in vulnerable labor market positions, on the bottom rung of jobs in low-wage industries that offer few prospects for upward mobility. For these workers to achieve self-sufficiency standards, most will need skills and credentials that enable them to enter higher-paying industries.

Figure 25 shows the ratio of average earnings of GAIN workers in each industry to average earnings of the total labor force in each industry. For example, the ratio of .30 for business services means that GAIN workers employed in the business services industry earned an average of 30 percent of what the average member of that industry's labor force earned.

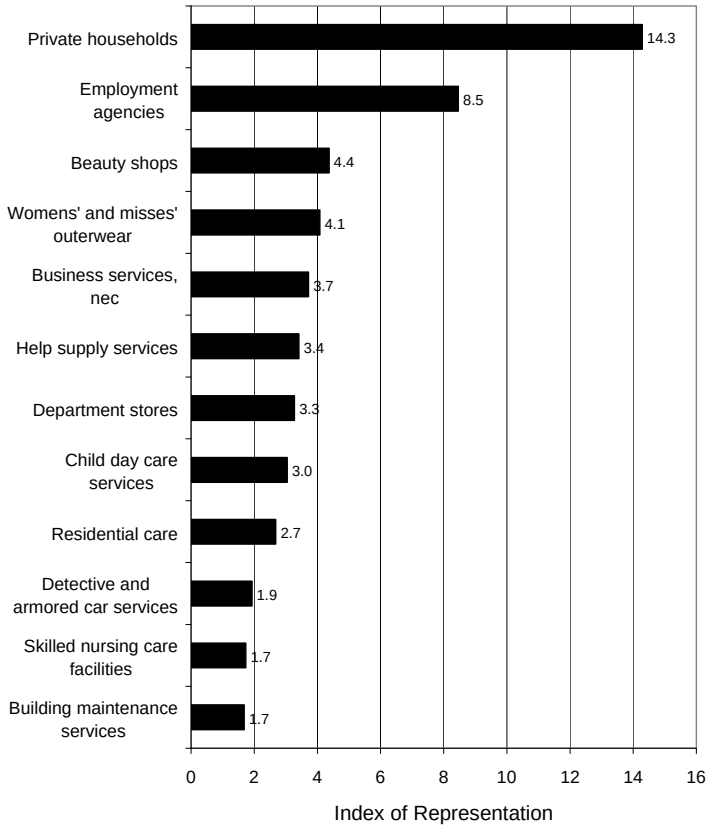
Industrial Niches of GAIN Workers

For a given group of workers, an *industrial niche* can be defined as an industry in which the percent of workers employed is at least 1.5 times greater than the percent of all

[29] The State Organizing Project for Family Economic Self-Sufficiency, "Six strategies for self-sufficiency: great ideas for using state policy to get families out of poverty". Washington DC: Wider Opportunities for Women.

workers who are employed in the industry. This ratio has been called the index of representation.[30] Twelve of the 18 industries employing large numbers of GAIN workers are industrial niches for GAIN workers. The highest relative concentrations of GAIN workers were found in private households (index of representation is 14.3), employment agencies (8.5), beauty shops (4.4), women's and misses' outerwear (4.1), miscellaneous business services (3.7), and help supply services (3.4).

Figure 26
INDUSTRY NICHES OF GAIN WORKERS
Third Quarter, 1997



The highest concentrations of GAIN workers are found in industries paying the lowest wages, and industries with the lowest concentrations of GAIN workers paid the highest wages. For example, of the eighteen major industries employing GAIN workers, the lowest concentrations of GAIN workers were found in medical offices and clinics, hotels and motels, and hospitals, the three industries in which GAIN workers reported the highest average earnings.

Figure 26 shows the index of representation for 12 industries with above-average concentrations of GAIN workers. The index is calculated by dividing the percent of GAIN workers in an industry by the percent of the total county workforce in the same industry. Industries with a value greater than 1 have above-average concentrations for GAIN workers.

Summary of Findings

The comparative rates of growth of industries that provide above-poverty wages and those that do not will determine whether the prevalence of poverty in Los Angeles declines or grows. Poverty is a transitory condition for roughly one-in-five people and a chronic condition for about one-in-twenty.[31] The median length of time that people spend in

[30] Roger Waldinger and Mehdi Bozorgmehr, editors, *Ethnic Los Angeles*, Russell Sage Foundation, New York, 1996.
[31] Mary Naifeh, "Trap Door? Revolving Door? Or Both?" *Current Population Reports: Household Economic Studies.* U.S. Census Bureau, July 8, 1998. This is national data for 1993 and 1994.

poverty is 4.5 months. This indicates that most people who enter the welfare system are on aid for relatively short periods of time and achieve their own exits by increasing their incomes. The extent to which workers who have been in poverty are able to increase their earnings determines how many are able to become economically self-sufficient. To the extent that their earnings remain very low, exits from poverty will occur less rapidly than entries into poverty and the number who are chronically impoverished will increase.

Findings from this chapter about the ability of GAIN workers to find jobs that provide upward mobility are summarized below.

1. The number of GAIN workers who had jobs increased by 102 percent from 1990 to 1997. During this same time, the total number of employed workers in Los Angeles County declined by 5 percent.

2. Earnings of GAIN workers with jobs did not end their decline and begin reclaiming lost ground until late 1995. This was nearly 2 years after the economic recovery began. During the recession and its aftermath, many GAIN workers probably had reduced working hours. The rising tide that lifted other ships took longer to reach GAIN workers.

3. Changes in the earnings and employment rate of GAIN workers appear closely tied to changes in overall employment in Los Angeles County, but have a degree of fluctuation that is more than five times greater than corresponding changes in the overall labor market.

4. Personnel supply service firms (temporary employment agencies are part of this group) are the largest employer of welfare workers, accounting for 13 percent of all jobs held by GAIN workers in 1997. This industry's share of welfare employment has more than doubled since 1990.

5. In 1997, the highest concentrations of GAIN workers were found in industries paying the lowest wages and as a corollary, industries with the lowest concentrations of GAIN workers paid the highest average wages.

6. Most GAIN job holders are low-wage workers in low-wage industries that offer few prospects for upward mobility. For these workers to achieve self-sufficiency standards most will need skills that will enable them to enter higher-paying industries.

Strategies that enable GAIN workers to move into industries that pay sustaining wages will offer parallel benefits for the regional economy by supporting growth of industries that create more value per job. An important challenge is to design both worker training and job creation programs that support movement into, and growth of, industries that make greater contributions to the regional economy as well as to the workers they employ.

Chapter 4

Geography of Welfare Employment

Communities where GAIN Workers Live

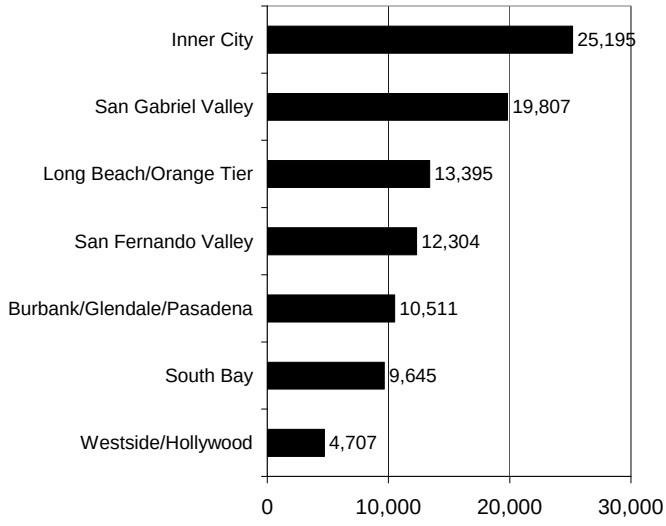
Where do GAIN workers live and work? To answer this question, and also explore the connections between welfare workers and jobs in different subregions of the county,[32] we compared 1997 employment rates, industry concentrations, ethnic concentrations, and average earnings of GAIN workers living in seven subregions of Los Angeles County. The subregions include:

- *INNER CITY*: Downtown, South Central and East Los Angeles, Bell, Bell Gardens, Commerce, Compton, Cudahy, Huntington Park, Maywood, South Gate, and adjoining county unincorporated areas (home to one-quarter of GAIN workers);

- *LONG BEACH AND THE ORANGE COUNTY TIER*: Long Beach plus cities adjacent to Orange County, between Long Beach to the south and Whittier Hills to the north;

- *SOUTH BAY*: the region from the Los Angeles Harbor district in the south to Westchester in the north;

Figure 27
TOTAL GAIN WORKERS BY SUBREGION



[32] Different arguments have been advanced to explain the impact of economic restructuring on local labor markets in American cities. In what has become known as the spatial mismatch theory, Wilson and others argue that the restructuring of manufacturing industries since the 1970s has limited the employment of African-Americans in inner city neighborhoods by destroying blue collar jobs that paid a sustaining wage (William Julius Wilson, *When Work Disappears* Vintage Books, New York, 1996). He asserts that most job growth has been in "outer city" or edge city areas, out of the commuting range of poor inner city blacks. Also, inner city job growth has been focused on high-wage finance and professional service jobs that are out of reach for under-educated inner city residents. As a result, he concludes, inner city residents face high levels of unemployment and underemployment. An alternative argument, the "polarization" hypothesis, is that inner city districts have experienced growth of high and low wage employment, ranging from professional services to labor-intensive manufacturing. See Saskia Sassen, *The Global City: New York, London, Tokyo*, (Princeton University Press, Princeton, New Jersey, 1992).

- *WESTSIDE/ HOLLYWOOD*: the region extending from Malibu and Santa Monica in the west to East Hollywood;

- *SAN FERNANDO VALLEY*: communities in the San Fernando Valley excluding Burbank;

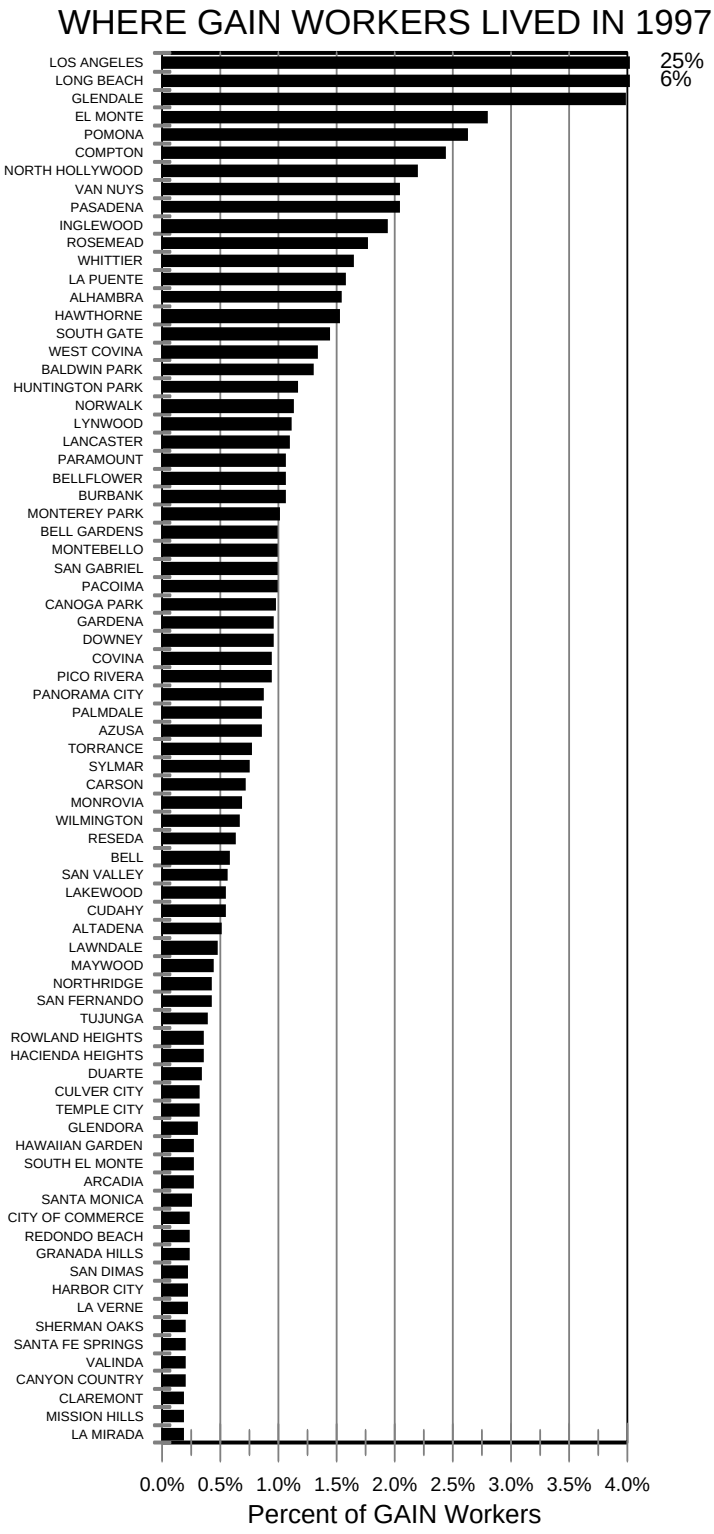
- *BURBANK/ GLENDALE/ PASADENA*: these three cities plus adjacent communities; and

- *SAN GABRIEL VALLEY*: from Alhambra and Monterey Park in the west to the San Bernardino County line in the east.

A detailed list of communities in each subregion is provided in the Appendix.

Figure 28 shows, in rank order, all of the communities in the county that were home to 150 or more GAIN workers in 1997. Long Beach with 6 percent and Los Angeles with 25 percent (39 percent including all separately listed communities that are part of the city) go off the scale at the top of the graph.

Figure 28



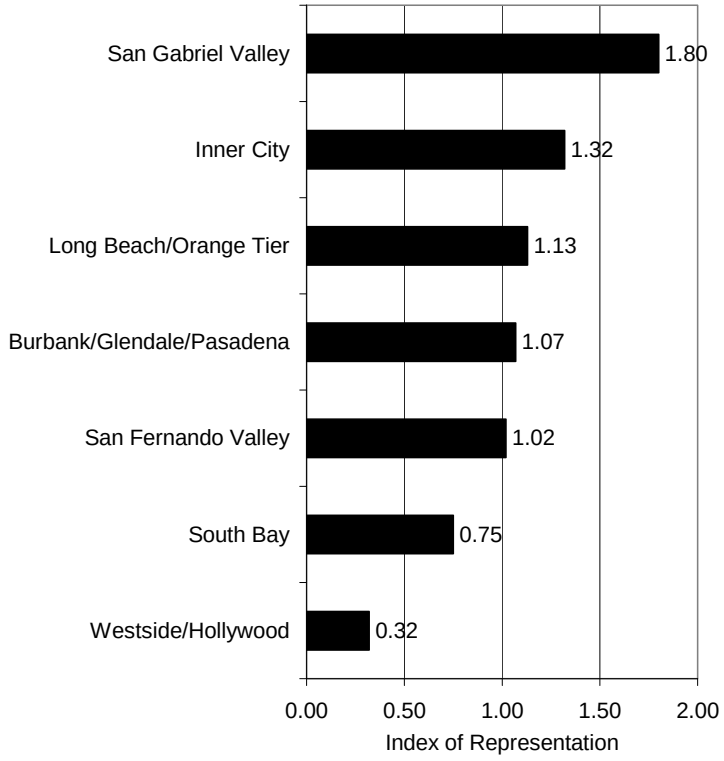
Subregional Concentrations of GAIN Workers

The possibilities for assimilating GAIN workers into the work force are affected by their prevalence in local labor markets. We determined geographic indexes of representation in order to compare the relative concentration of GAIN workers in each subregion.[33] Areas with high concentrations of GAIN workers are likely to have fewer unfilled job openings for low-skilled workers. The San Gabriel Valley had the highest concentration of GAIN workers, followed by the Inner City. Average concentrations of GAIN workers were found in Long Beach/Orange Tier, Burbank/Glendale/Pasadena, and the San Fernando Valley. Low concentrations of GAIN workers were in the Westside/Hollywood and South Bay subregions.

The geography of welfare workers describes the geography of poverty in Los Angeles County. Welfare workers are highly concentrated in the Inner City and San Gabriel Valley, with smaller concentrations in adjacent communities to the south and north. Relatively few welfare workers reside in the western parts of Los Angeles County, dominated as they are by higher income neighborhoods. The east-west divide between areas of high and low concentrations of welfare workers is evident in the San Fernando Valley, where 72 percent of the subregion's welfare workers live in the eastern half of the valley.

Figure 29 shows the concentration of GAIN workers in the overall work force. Values higher than 1 indicate above-average concentrations.

Figure 29
GEOGRAPHICAL REPRESENTATION OF GAIN WORKERS IN LOS ANGELES COUNTY



[33] This was calculated by dividing the percent of the total county GAIN work force that lived in each subregion by the percent of the county labor force that had jobs in each subregion.

Geography of Recent Employment Change

How are recent industry employment trends related to the employment of GAIN workers in different subregions? Economic restructuring in Los Angeles has resulted in industry job trends that are not reducible to a schema of de-industrialization in the inner city. Instead, job growth in Los Angeles is based on a diverse group of high and low-wage industries. Many low-wage jobs are created in central city areas, and significant employment concentrations in declining industries are found in outer city areas. The uneven geography of job change in Los Angeles is discussed in a recent study that argues "moves out of the inner city to the suburban periphery are not necessarily associated with increases in nearby job opportunities; some suburban neighborhoods are also job poor".[34]

This can be illustrated by studying industry employment trends in Los Angeles *(see the Appendix for a discussion of industrial restructuring in Los Angeles)*. The industries with the greatest job growth are a mix of high-wage and low-wage industries. Major job losses have occurred in high and medium wage industries concentrated in "outer city" subregions. Inner city and outer city areas alike have high concentrations of employment in growing industries.

Most employment in industries experiencing the greatest job loss in Los Angeles County between 1992 and 1997 was concentrated in the "outer city" subregions.[35] Industries losing at least 5,000 jobs between 1992 and 1997 are shown in the box below. These include two high-wage industries (aerospace and insurance), two medium-wage industries (banking and printing and publishing), and one low-wage industry (apparel and accessory stores). Altogether, these industries shed 97,700 jobs in the county, led by aerospace (-51,200) and banking (-19,200). Of these industries, banking and printing and publishing had significant employment concentrations downtown. The major employment concentrations in the aerospace, insurance, and apparel retail industries were found in outer county subregions.

INDUSTRIES WITH GREATEST JOB LOSS IN LOS ANGELES COUNTY FROM 1992 TO 1997
Employment and Earnings

SIC	Industry Title	Employment		Job Loss 1992-97		Average Annual Earnings	Earnings Index
		1992	*1997*	*Number*	*Percent*	**($1997)**	**(LA=100)**
	HIGH-WAGE INDUSTRIES						
372, 376,381	Aerospace	154,900	103,700	-51,200	-33.1%	$50,402	155
63-64	Insurance	73,400	58,000	-15,400	-21.0%	$40,054	123
	MEDIUM-WAGE INDUSTRIES						
27	Printing and Publishing	55,200	48,500	-6,700	-12.1%	$35,599	109
60	Banking (Depository Institutions)	85,600	66,400	-19,200	-22.4%	$31,988	98
	LOW-WAGE INDUSTRIES						
56	Apparel and Accessory Stores	40,900	35,700	-5,200	-12.7%	$17,303	53

[34] Evelyn Blumenberg and Paul Ong (1998), "Job accessibility and welfare usage: evidence from Los Angeles". *Journal of Policy Analysis and Management*, 17, 4, 639-657; p. 655.
[35] Geographical industry employment shares were calculated using data for Los Angeles County from the Employment Development Department Labor Market Information Division.

MAJOR GROWTH INDUSTRIES IN LOS ANGELES COUNTY
Employment and Earnings

SIC	Industry Title	Employment 1992	Employment 1997	Job Growth 1992-1997 Number	Job Growth 1992-1997 Percent	Average Annual Earnings ($1997)	Earnings Index (LA=100)
	HIGH-WAGE INDUSTRIES						
45	Air Transportation	41,100	51,600	10,500	25.5%	$42,806	132
78	Motion Pictures	89,600	141,000	51,400	57.4%	$59,231	182
		130,700	*192,600*	*61,900*			
	MEDIUM-WAGE INDUSTRY						
82	Education	318,500	338,800	20,300	6.4%	$30,369	93
	LOW-WAGE INDUSTRIES						
22-	Apparel and Textiles	108,700	130,100	21,400	19.7%	$17,066	52
58	Eating and Drinking Places	212,000	223,100	11,100	5.2%	$11,742	36
73	Business Services	228,700	309,000	80,300	35.1%	$23,958	74
		549,400	*662,200*	*112,800*			
	Subtotal (6 industries)	***998,600***	***1,193,600***	***195,000***	***19.5%***		
	Total Industry Employment	***3,813,500***	***3,879,200***	***65,700***	***1.7%***		

Source: Derived from California Employment Development Department, Labor Market Information Division

For example, 70 percent of aerospace employment was in the South Bay, Long Beach, and the "Orange County Tier".[36] Most insurance employment is found on the Westside, in the San Fernando Valley, and in the cities of Burbank, Glendale, and Pasadena. None of these industries employed significant numbers of GAIN workers.

On the other hand, industries with a high concentration of GAIN workers are well represented among the major growth sectors in Los Angeles County (see box at the top of this page). Six industries added at least 5,000 jobs in Los Angeles County between 1992 and 1997: two high-wage industries (air transportation and motion pictures), one medium wage industry (education), and three low-wage industries (apparel and textile manufacturing, eating and drinking places, and business services. Together these industries added 195,000 jobs, led by business services (80,300) and motion pictures (61,900). Geographic characteristics of growth industry concentrations include:

- The Inner City subregion (Downtown and South Central and Southeast Los Angeles) had a below-average concentration of employment in eating and drinking establishments, but an above-average concentration of employment in education.
- Production sites in the apparel and textiles industry were centered on the inner city districts, which employ three in four of the industry's workers in Los Angeles County.
- Business services employment was underrepresented in the inner city, though significant

[36] "Orange Tier" cities are those in the area bounded by Long Beach to the south, the Los Angeles River and Rio Hondo to the west, the Puente Hills to the north, and Orange County to the east.

Figure 30
EATING AND DRINKING PLACES
Distribution of Employment in Los Angeles County

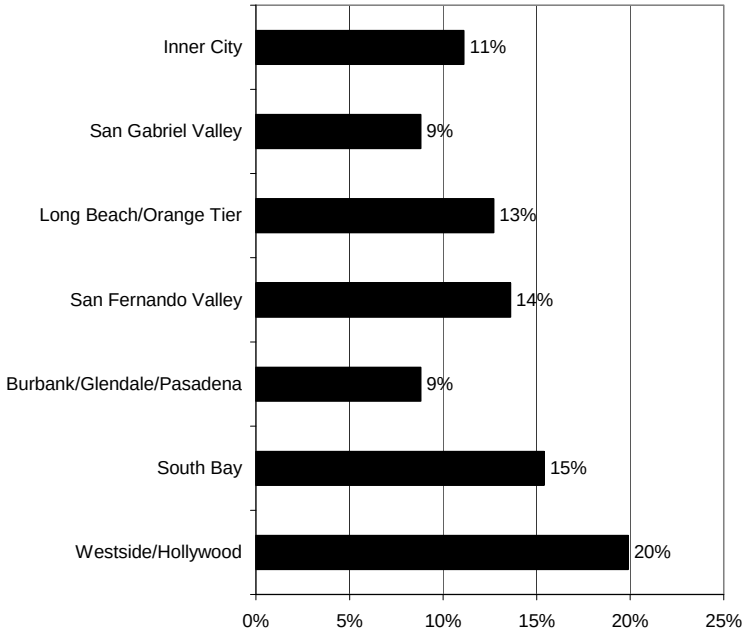
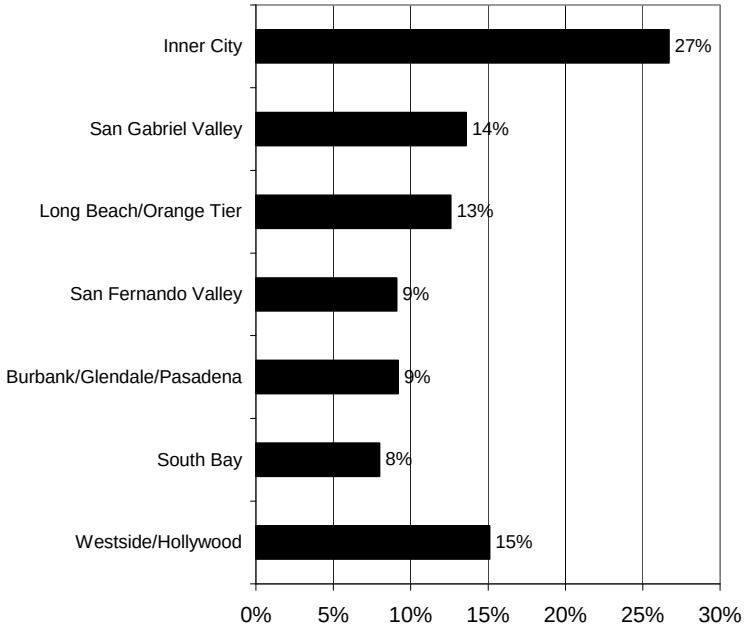


Figure 31
EDUCATIONAL SERVICES
Distribution of Employment in Los Angeles County



numbers of GAIN workers live in subregions with average and above-average levels of business services employment (the San Fernando Valley and the cities of Burbank, Glendale, and Pasadena).

Initially, it may seem encouraging to finding significant GAIN employment in growing industries. However, the increasing number of working-poor residents in the Los Angeles region can also be viewed as the cause rather than the consequence of growth in these low-wage industries. An abundant supply of low-wage labor resulting from slow job growth, together with a large consumer market and mature transportation infrastructure, creates a locational attraction for these industries. But jobs of the quality these industries offer GAIN workers provide weak dividends for the regional economy and fall short of achieving the potential productivity of many low-paid workers.

GAIN workers were well represented in

industries with job growth rather than decline. Three of the six industries with the greatest absolute job growth in Los Angeles County between 1992 and 1997 are low-wage industries in which GAIN workers are highly concentrated: apparel and textile manufacturing, eating and drinking places, and business services.

The problems of poverty in Los Angeles are not readily explained by a flight of jobs to the outer districts of Los Angeles County. Instead, the restructuring of jobs and labor supplies have contributed to the growth of insecure, low-wage employment throughout the Los Angeles region. The problems of the poor are "more and more a problem of gainfully employed persons".[37]

Figures 30 to 33 show the concentration of the total labor force in the seven subregions in each of four industries that are major employers of GAIN workers, showing availability of these jobs for GAIN workers in each subregion.

Figure 32
APPAREL AND TEXTILE MANUFACTURING
Distribution of Employment in Los Angeles County

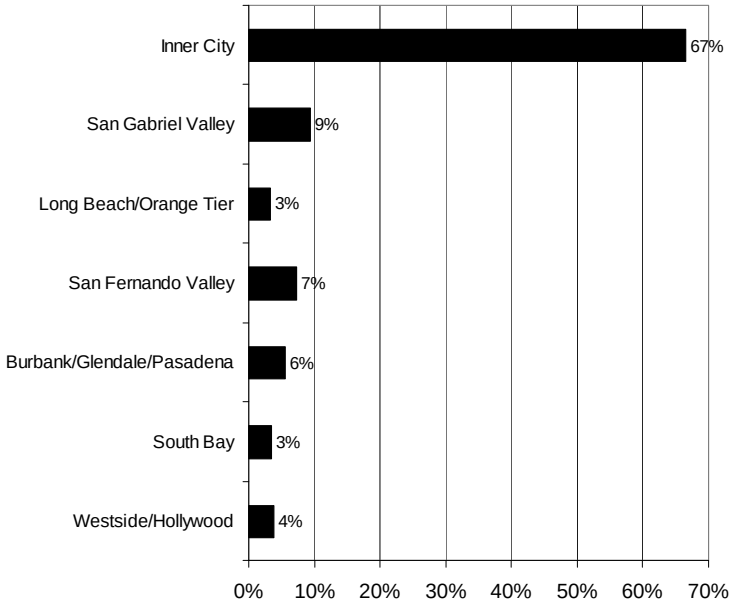
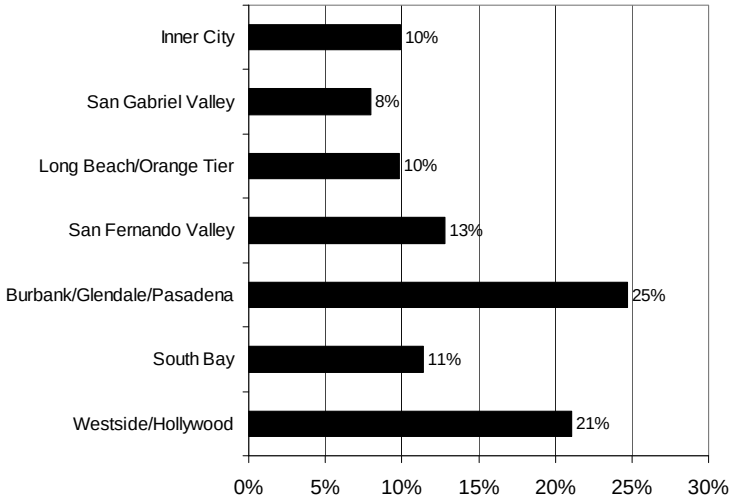


Figure 33
BUSINESS SERVICES
Distribution of Employment in Los Angeles County



[37] Jacqueline Jones, *The Dispossessed: America's Underclasses from the Civil War to the Present* (New York: Basic Books, 1992), p. 271.

Geographical Differences in Employment Outcomes

GAIN workers had average monthly earnings of $514 in 1997 (this was total earnings averaged over all workers). Earnings varied from a low of $332 a month for workers living in Glendale to a high of $739 for those living in the City of San Fernando.

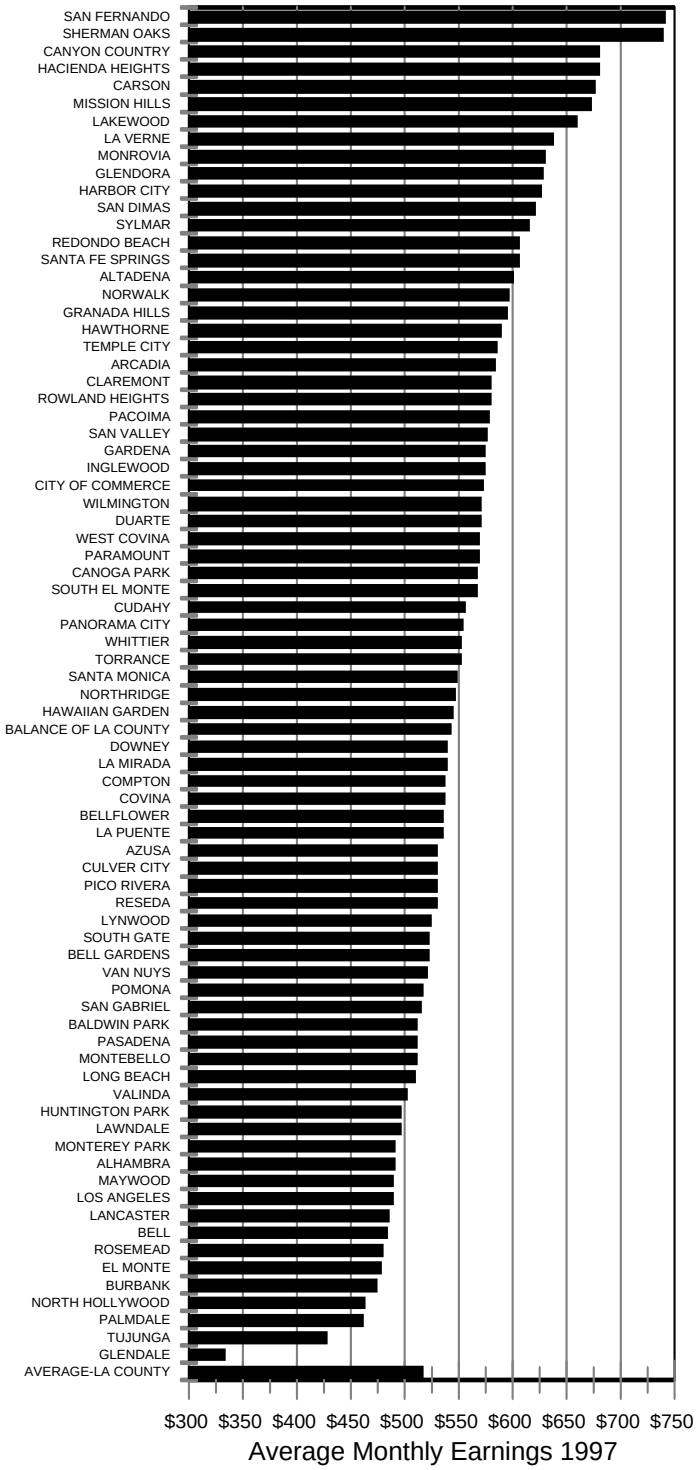
Workers living in Los Angeles (who account for about one-quarter of the GAIN work force, after those living in named communities within the city are excluded) earned an average of $488 a month. Workers living in Long Beach earned an average of $507 a month.

Figure 28 shows the average monthly earnings of GAIN workers living in each community of the county in which 150 or more workers lived. Total earnings of workers in each community are averaged over all workers living in the community. The average for Los Angeles County is shown at the bottom of the graph. Communities not listed are included under "Balance of LA County."

Figure 34

AVERAGE MONTHLY EARNING BY COMMUNITY

Average of All GAIN Participants -1997



How are the employment outcomes of welfare workers related to local labor market dynamics?

The employment rate equals the number of GAIN participants who earned at least $500 in 1997 as a percent of all GAIN participants in our file. When we look at the employment rates of GAIN workers in 1997, we find the highest employment rates, (between 72 and 74 percent) in the San Gabriel Valley, South Bay, and Long Beach/Orange Tier *(Figure 35)*.

Figure 35
1997 EMPLOYMENT RATE BY SUBREGION
GAIN Workers in Los Angeles County

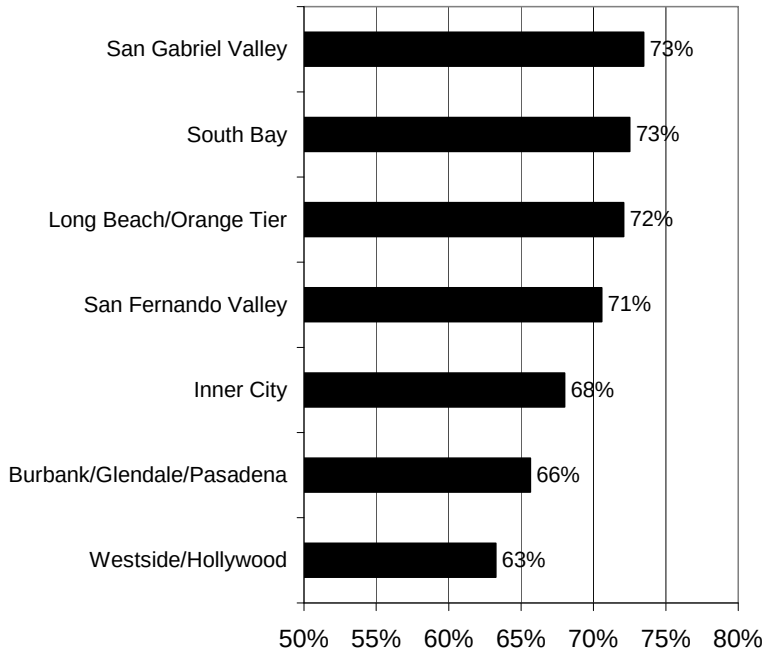
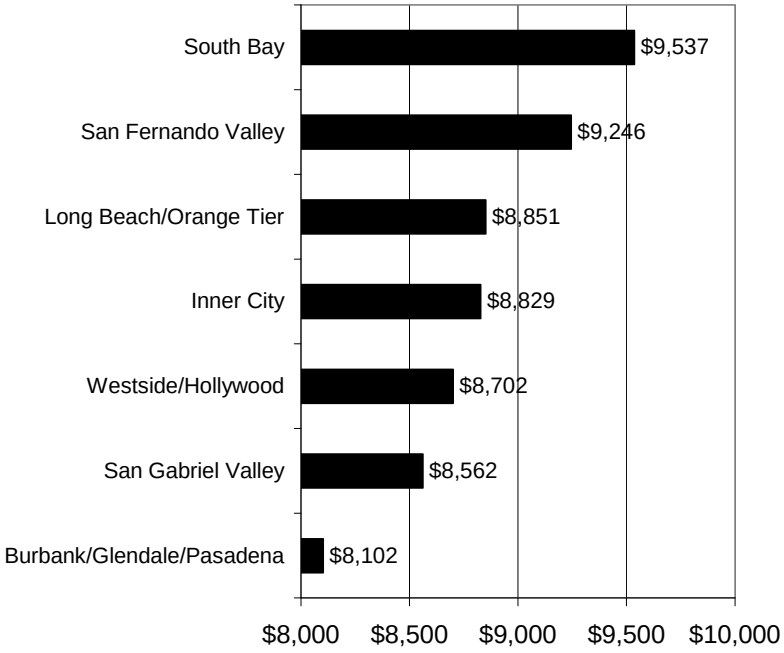


Figure 36
1997 EARNINGS BY SUBREGION
GAIN Workers in Los Angeles County



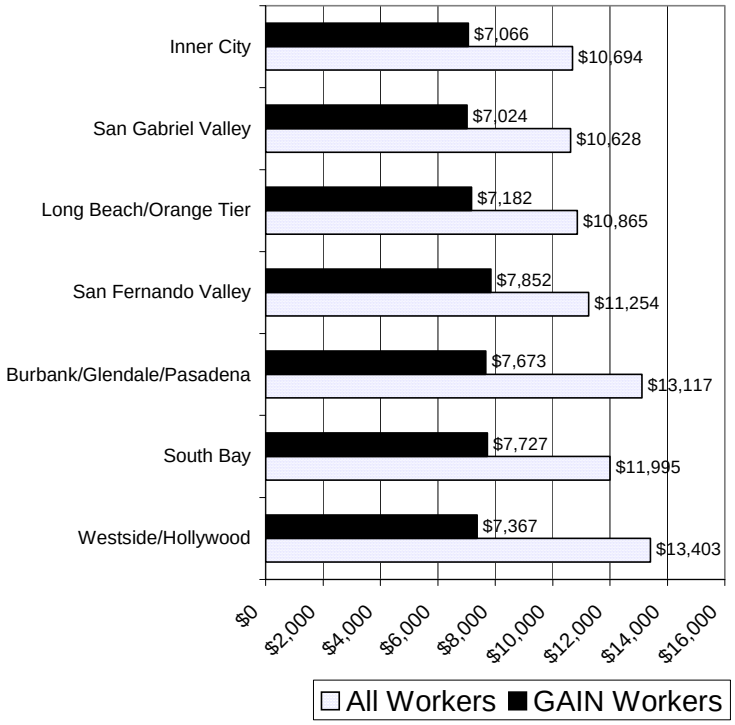
The lowest employment rates were in Westside/Hollywood (63 percent) and Burbank/ Glendale/Pasadena (66 percent). Inner City welfare workers had a 1997 employment rate of 68 percent.

Based on average-annual earnings of welfare workers, the subregions can be classified into three groups. The highest earnings were in the South Bay ($9,537) and San Fernando Valley ($9,246).

The lowest average incomes were made by welfare workers in Burbank/Glendale/Pasadena ($8,102). Subregions with intermediate earnings included Long Beach/Orange Tier, the Inner City, Westside/Hollywood, and the San Gabriel Valley *(Figure 36)*.

What pattern exists in these employment outcomes? Before looking at geographical differences in worker characteristics that may influence employment outcomes, we will consider the "tightness" of local labor markets in different subregions. A "tight" labor market has a lower ratio of potential workers per job than a "slack" labor market, which has a relative surplus of potential workers. A recent review of studies of spatial mismatch between jobs and workers in metropolitan areas contends that employers in tighter suburban labor markets pay higher wages to lower-skill workers than employers in inner city labor markets with too few jobs relative to labor supply.[38] They point out that labor market dynamics may vary between different suburban labor markets, as well as between suburban and inner city labor markets.

Figure 37
WORKERS IN EATING AND DRINKING ESTABLISHMENTS
Average Earnings in Los Angeles County, 1997



One test of labor market tightness is to compare intra-metropolitan wages in an industry dominated by low-skill, low-wage employment. We compared wages that eating and drinking establishments in the seven subregions of the county paid to GAIN workers with those paid to the entire work force of the industry *(Figure 37)*.[39]

Subregions with the highest average annual earnings were Westside/Hollywood, Burbank/Glendale/Pasadena, and the South Bay.

[38] Keith Ihlanfeldt and David Sjoquist (1998), "The spatial mismatch hypothesis: a review of recent studies and their implications for welfare reform", *Housing Policy Debate*, 9, 4, pp. 849-892.
[39] Subregional wages in eating and drinking establishments are based on the earnings and employment per establishment reported in the 1992 Industrial and Commercial Employer (ICE) file compiled by the Employment Development Department. Average annual earnings were converted into 1997 dollars. We used average earnings of all workers as a proxy for average entry-level wages, which was used by Ihlanfeldt and Sjoquist.

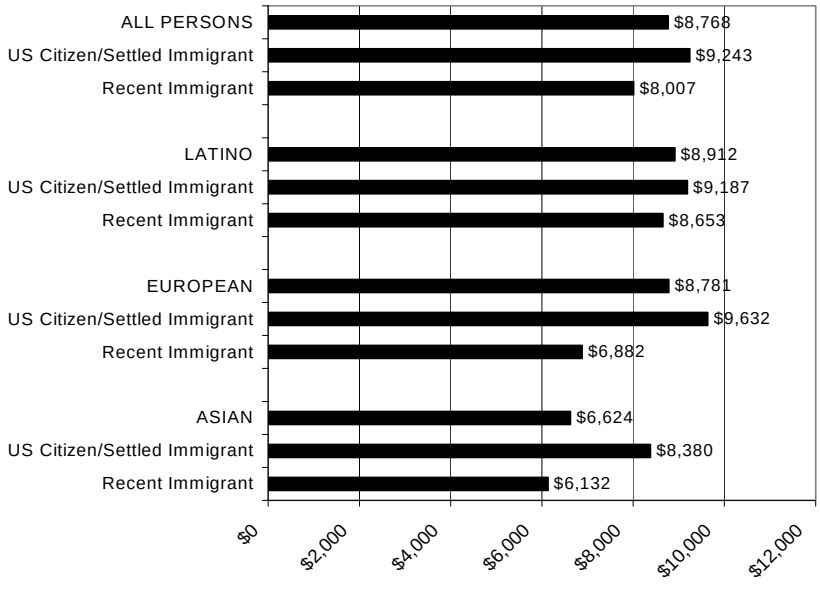
The lowest average annual earnings were in the San Gabriel Valley, the Inner City, and Long Beach/Orange Tier. These three subregions with the lowest earnings for the entire eating and drinking place labor force have the highest concentrations of welfare workers. Moreover, welfare workers in eating and drinking establishments in these subregions earned lower wages than their counterparts in other parts of the county. The geographical variation of welfare workers' wages corresponds closely with the geography of wages for all workers in eating and drinking establishments. Thus intra-metropolitan differences in earnings of welfare workers in the same industry can be partly explained by dynamics of labor supply and demand. Areas with high concentrations of welfare workers have relatively slack labor markets, contributing to lower earnings.

There was little difference between the earnings and employment rates of GAIN workers living in the Inner City and those in the balance of the county. GAIN participants living in the Inner City had a slightly lower employment rate in 1997 than did those in the balance of the county, 68 percent compared to 71 percent, with little difference in the average earnings between the two subregions. GAIN workers in the Inner City earned an average of $8,754 in 1997, while workers in the balance of the county earned $8,804. Subregional disparities in earnings of GAIN workers do not reflect a simple polarization between inner city and suburbs, but rather are the outcomes of distinct populations of local workers and differing job opportunities available to them in multiple labor markets throughout the county.

Ethnic Immigrant Groups

The employment outcomes of welfare workers in different areas of Los Angeles County are also related to different worker characteristics. For example, almost two in five welfare workers

Figure 38
ETHNIC IMMIGRANT GROUPS
Average 1997 Earnings of GAIN Workers



are recent immigrants.[40] Recent immigrants earn significantly lower wages than other welfare workers (*see Figure 38*). The average 1997 earnings of recent immigrants who had jobs in that year were $8,007, which was 13 percent lower than the average earnings of other welfare workers. Also, recent immigrants were more likely to be unemployed in 1997. Their employment rate was 67 percent, while all other GAIN workers had an employment rate of 72 percent.

Two factors are important in explaining the poorer employment outcomes of recent immigrants – general worker abilities (English language and education), and local labor market dynamics.

First, a majority of recent immigrants (61 percent) had limited English ability. Also, 75 percent of recent immigrants had not completed high school. Both of these factors limit the potential jobs for which recent immigrants can be hired; they are most likely to find work in low-wage jobs not requiring a high school education or good English ability. For example, 18 percent of recent immigrants were employed in low-wage non-durable manufacturing industries, mostly in apparel and textile firms. Only 3 percent of other welfare workers were employed in non-durable manufacturing. On the other hand, 26 percent of other welfare workers were employed in the higher-wage professional services, compared to only 11 percent of recent immigrants.

Local labor market dynamics help to explain the lower wages of recent immigrants. Recent immigrants tend to settle in a select number of neighborhoods that serve as "ports of entry" into the metropolitan economy. Also, recent immigrants rely heavily - almost exclusively - on social networks to find jobs, which limits their job search. Two thirds of recent immigrants were Latinos, who were highly concentrated in Inner City barrios (especially Southeast Los Angeles). Fifty-nine percent of recent Asian immigrants lived in the San Gabriel Valley, which has emerged as the major port of entry for Asians in Los Angeles. The Inner City and San Gabriel Valley subregions have the highest concentrations of welfare workers and, as discussed above, a relative surplus of workers. Local labor surpluses reinforce the lower wages earned by immigrants with limited English language ability and educational attainment.

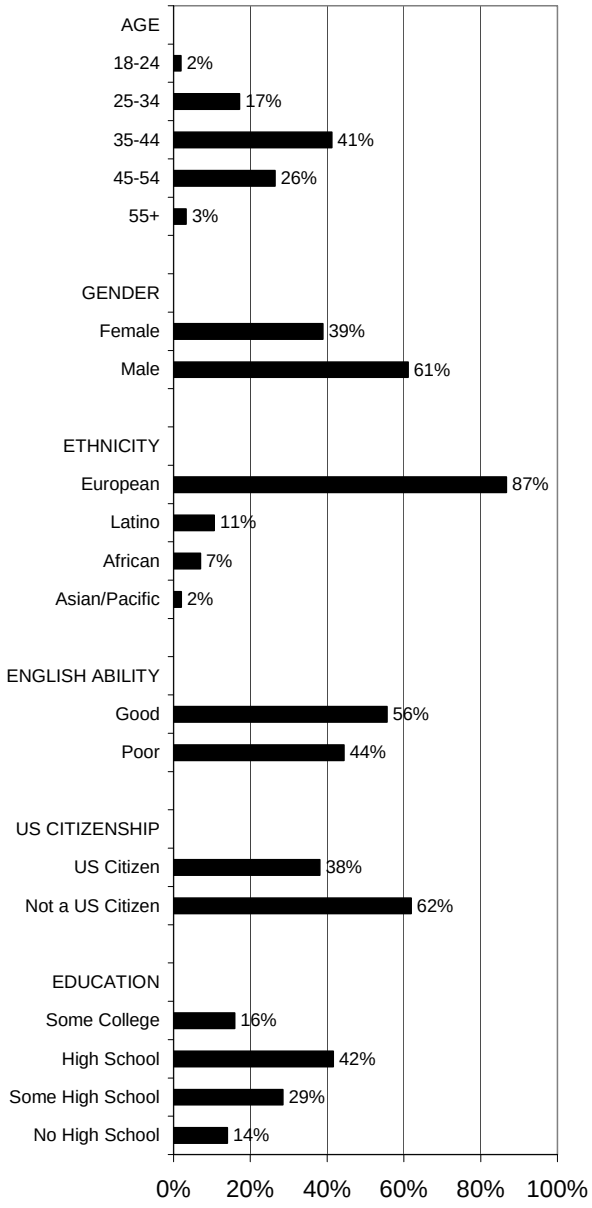
Community Contrasts – Welfare Workers in Van Nuys and Glendale

The economic and demographic diversity of Los Angeles is not fully captured at a subregional level. Many communities have highly distinct demographic profiles, resulting in labor market experiences and characteristics of welfare workers that are quite different from those in other communities.

[40] "Recent immigrants" were defined as persons who were (a) not United States citizens, or (b) United States citizens with limited English ability. This is a proxy for actual recent immigrants, as we do not have information on year of entry into the United States. Based on this definition, 38,223 GAIN workers were recent immigrants, or 38.4 percent of all GAIN workers included in the Economic Roundtable files.

The communities of Van Nuys and Glendale offer such a contrast. Of the ten communities with the most GAIN workers, Van Nuys workers earned the highest average income in 1997 ($9,313), and Glendale workers the lowest average income ($6,805). The average 1997 earnings of GAIN workers was 37 percent higher in Van Nuys than in Glendale. Only 59 percent of Glendale GAIN participants worked in 1997, versus 70 percent of Van Nuys participants. What explains these different labor market outcomes?

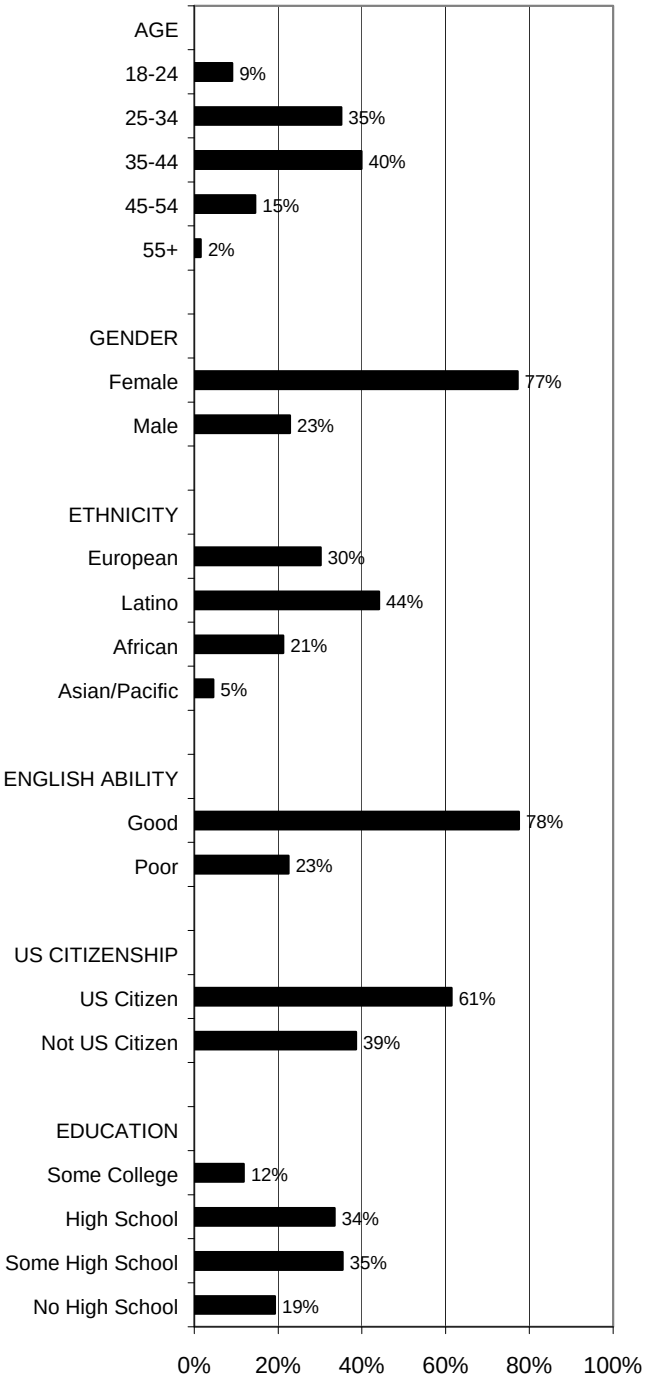
Figure 39
PROFILE OF GLENDALE GAIN WORKERS



First, it is not apparent that local labor market characteristics explain the different labor market outcomes of GAIN workers in Van Nuys and Glendale. Both communities are in subregions with average concentrations of GAIN workers. Workers in eating and drinking establishments in Burbank/ Glendale/Pasadena made higher than average earnings, which does not indicate a slack labor market.

Are different worker characteristics in the two communities connected to different labor market outcomes? Comparing Glendale and Van Nuys (*see Figures 39 and 40*), it is clear that GAIN workers in Van Nuys and Glendale are distinct. Nine in ten GAIN participants living in Glendale are European-American (mostly Armenian). Only 11 percent are Latino and less than 1 percent are African-American. GAIN participants living in Van Nuys are a diverse group made up by Latinos (44 percent), European-Americans (30 percent), and African-Americans (21 percent). About one in three Van Nuys GAIN workers was a recent immigrant, compared to almost two in three Glendale GAIN workers.

Figure 40
PROFILE OF VAN NUYS GAIN WORKERS



As a result, a high percent of Glendale GAIN workers have limited English ability – 44 percent compared to 23 percent of Van Nuys GAIN workers. Although the percent of high school graduates in Glendale is much higher than the percent in Van Nuys (68 versus 45 percent), the limited English ability of recent Armenian immigrants appears to be major factor determining their lower labor force participation and earnings. (For example, Glendale GAIN workers with limited English ability earned $5,686 in 1997, while those without limited English ability earned $7,586). What makes the Glendale GAIN workers even more distinct is that the majority (61 percent) are men, while 77 percent of Van Nuys GAIN workers are women.

The industry distribution of Glendale GAIN workers reflects their employment in lower wage jobs. For example, they were much more likely to work in the nondurable manufacturing and personal services industries than Van Nuys workers were. Both industries paid among the lowest wages earned by GAIN workers.

This example highlights the geographic and demographic diversity of the working poor in Los Angeles. Of the ten major communities in which GAIN workers resided, the "poorest of the working poor" lived in Glendale. Not only were the 1997 earnings of Glendale GAIN workers well below the average earnings of GAIN workers in inner city Los Angeles (e.g.

South Central and Southeast Los Angeles), but their demographic profile is markedly atypical.

Male Armenian immigrants are one of many demographic groups that comprise the mosaic of the working poor in Los Angeles. Wide variation in local labor markets and differing characteristics of the working poor in different localities point to a need for community level welfare-to-work strategies.

Summary of Findings

- Welfare workers are highly concentrated in the Inner City and San Gabriel Valley, with smaller concentrations in adjacent communities to the south and north. Relatively few welfare workers reside in the western parts of Los Angeles County.

- The problems of poverty in Los Angeles are not readily explained by a flight of jobs to the outer districts of Los Angeles County. Instead, the restructuring of jobs and labor supplies have contributed to the growth of insecure, low-wage employment throughout the Los Angeles region.

- GAIN workers had average monthly earnings of $514 in 1997 (this is total earnings averaged over all workers, including those not employed in 1997). Earnings by city varied from a low of $332 a month in Glendale to a high of $739 in the City of San Fernando.

- Areas with high concentrations of welfare workers have relatively slack labor markets, contributing to lower earnings in these communities.

- Almost two in five welfare workers are recent immigrants. The average 1997 earnings of recent immigrants were $8,007, which was 13 percent lower than the average earnings of other welfare workers. The employment rate of recent immigrants was 67 percent, compared to an employment rate of 72 percent for all other GAIN workers.

- Two factors are important in explaining the poorer employment outcomes of recent immigrants – general worker abilities (English language and education), and local labor market dynamics. Recent immigrants tend to settle into neighborhoods that serve as ports of entry into the metropolitan economy. These communities have a relative surplus of low-wage workers.

Chapter 5

ANALYSIS OF EMPLOYMENT OUTCOMES

Overview

In this chapter we identify connections between selected worker characteristics and employment outcomes. How are personal attributes (age, gender, ethnicity, and immigrant status) and achieved human capital characteristics (education, English-language ability, work experience) associated with the employment outcomes of GAIN workers?

We find that inter-group differences in employment outcomes can be seen as a result of differences in achieved characteristics. For example, workers with low levels of educational attainment and limited English language ability are likely to work in jobs paying very low wages in the manufacturing, retail, personal and business services industries. On the other hand, workers with a high school education and no English language limitations are more likely to be employed in better jobs in the professional service industries (health, education, and social services).

Employment outcomes analyzed in this chapter were employment status in 1997 (whether or not a person worked) and 1997 earnings. Average 1997 earnings are reported for persons who earned at least $500 in that year. This chapter is divided into four parts:

- First, we describe employment outcomes for different groups of GAIN workers by considering age, gender, and ethnic and immigrant status.

- Second, we study the influence of education and English-language ability on employment outcomes. Based on earlier research,[41] we found that educational attainment and English-language ability were important predictors of employment outcomes of welfare recipients. We describe 1997 employment outcomes and compare characteristics of groups of workers with different levels of education and English-language ability.

- Third, we compare groups of GAIN workers that had either higher or lower earnings in 1997 to highlight connections between job outcomes and selected worker characteristics.

- The fourth part of this chapter discusses the results of a multivariate analysis of employment outcomes for one cohort of GAIN workers: women between the ages of 25 and 54 who were enrolled in GAIN in 1996. We modeled the 1997 employment outcomes of this cohort according to worker characteristics, industry, and geography.

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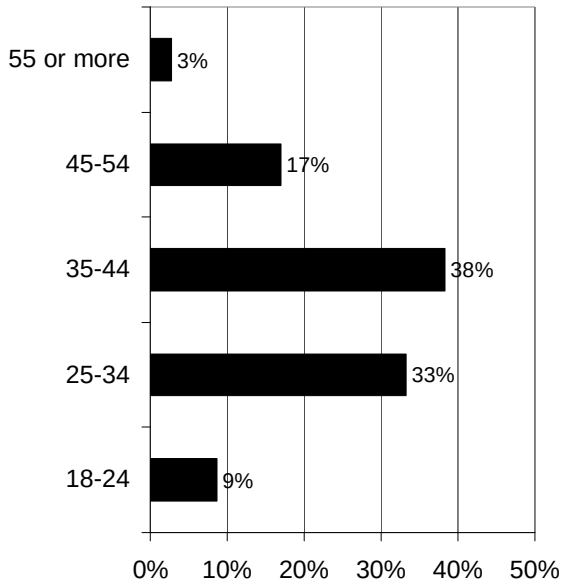
[41] Peter Force, Daniel Flaming, Julia Henly, and Mark Drayse. *By the Sweat of Their Brow: Welfare to Work in Los Angeles*. (1998, Economic Roundtable, Los Angeles).

Age, Gender, Ethnicity and Immigrant Status

AGE

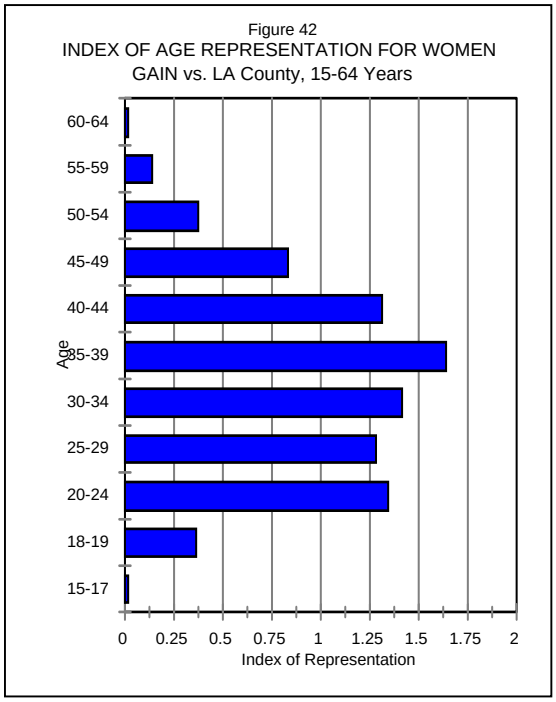
The data examined showed that there is a strong relationship between age and earnings among GAIN participants, with younger workers (mid-20s to mid-30s) showing *higher* earnings than older workers (over 40). When we probed this relationship we found that one likely cause is lower levels of education among many older participants.

Figure 41
DISTRIBUTION OF GAIN WORKERS BY AGE GROUP



Most GAIN participants are in the 25-to-44 year age range ***(Figure 41)***. When we compare women in GAIN to Los Angeles County's female population in the 15-64 year age range we see above-average concentrations of GAIN participants in the 20-to-44 year age range ***(Figure 42)***. This is not surprising because these are the years in which women typically bear and rear children. What is significant is that many mature women and men with low levels of education are part of the GAIN program.

Figure 42
INDEX OF AGE REPRESENTATION FOR WOMEN
GAIN vs. LA County, 15-64 Years



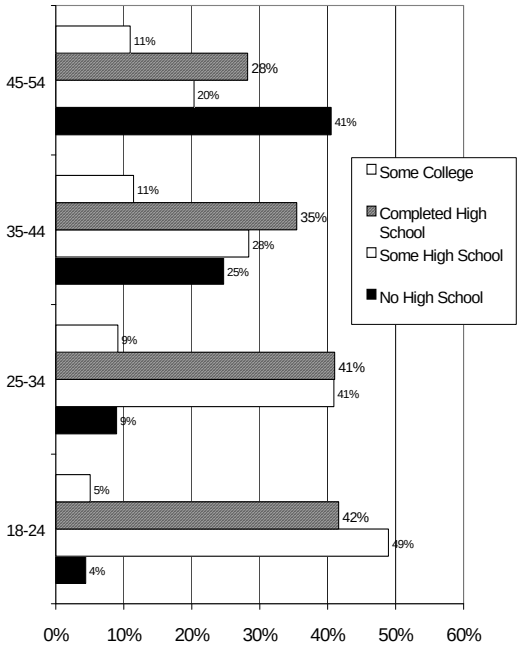
When we look at the relationship between age and education we see that *ten times* as many GAIN participants in the 45-to-54 year age range lacked any high school education compared to those in the 18-to-24 year age range ***(Figure 43)***. Except for a small minority with college experience, each cohort of older participants had less education than the preceding younger cohort.

When the factors of age, education and earnings are combined we see that older workers with the same level of education earned more than younger workers ***(Figure 44)***. Unfortunately, few older workers had as much education as younger workers.

A snapshot showing earnings for each age group of GAIN workers in 1997 shows progressively higher earnings for each age cohort from 18 to 25 years, followed by a plateau with little variation in earnings, and then a decrease in earnings for workers over 40 *(see Figure 45)*.

This snapshot does not demonstrate what we have gathered from other data in this report, which is that most individuals had year-to-year increases in earnings following GAIN. The important point it does reveal is that better-educated participants had a valuable advantage over less-educated participants in their efforts to become economically self-sufficient. Furthermore, an older population of welfare recipients whose five years of welfare benefits have been exhausted and who lack educational competencies will face bleak prospects for survival.

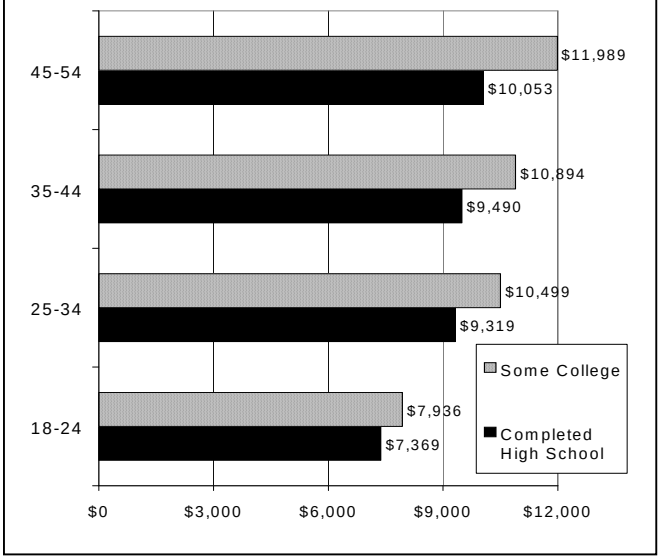
Figure 43
DISTRIBUTION OF GAIN WORKERS BY AGE AND EDUCATION GROUPS



GENDER

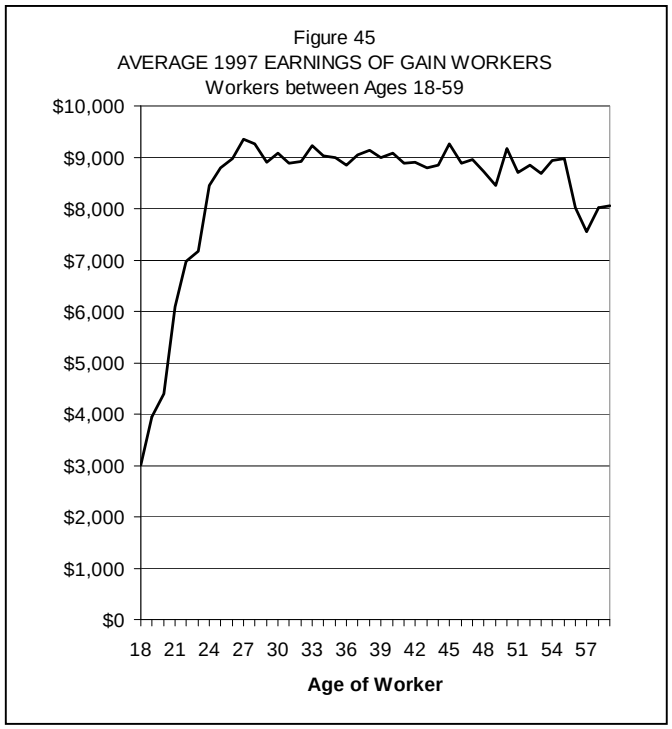
Men and women tend to be incorporated into different industrial and occupational segments of the labor market. Even within similar jobs, women tend to earn lower wages than men. This is also true in the overall workforce.

Figure 44
AVERAGE 1997 EARNINGS OF GAIN WORKERS BY AGE GROUP AND LEVEL OF EDUCATION

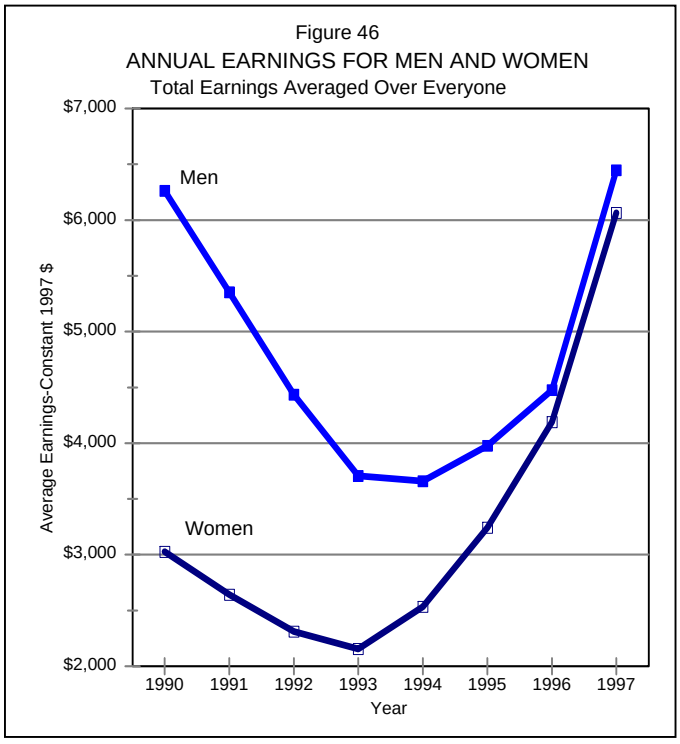


About four in five GAIN workers (78 percent) in this study were women. Seventy-five percent of women and 71 percent of men had earnings in 1997. While the employment rates of women and men differed little, and the gap between their earnings narrowed over the past eight years, the most recent data still show men earning more than women. The average earnings of male GAIN workers in 1997 (total earnings averaged over everyone) were $6,447, which was 6 per-

cent higher than the average of $6,067 earned by women *(see Figure 46)*. Different levels of education did not help to explain this difference, since 48 percent of women had completed high school compared to only 38 percent of men.



The higher earnings of men could be partly explained by their greater concentration in higher-wage industries. While the average earnings of both men and women in the higher-wage durable goods manufacturing and wholesale trade industries were almost the same, 21 percent of men were employed in these two industry groups compared to only 8 percent of women. Within seven of eleven major industry groups, male GAIN workers received at least 10 percent more earnings than did women. Intra-industry earnings differences could be evidence of any combination of factors such as longer hours worked by men, a larger concentration of men in higher-paying jobs, and wage discrimination against women.



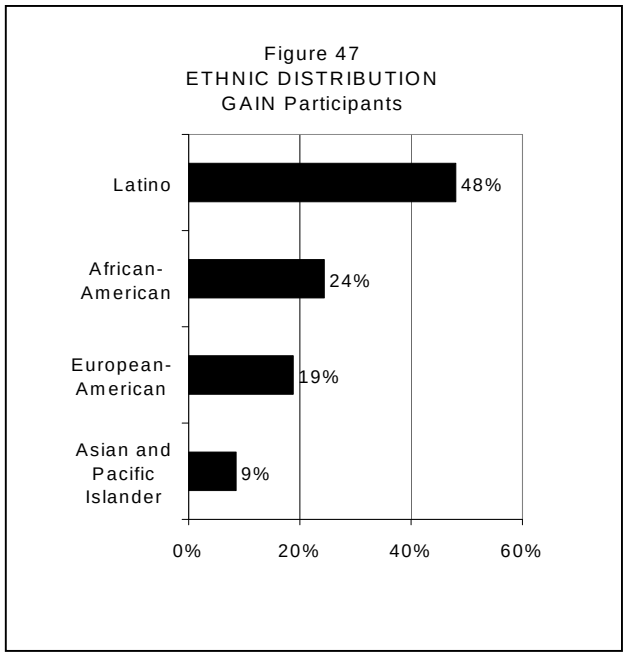
OVERVIEW OF ETHNIC AND IMMIGRANT GROUPS

Ethnicity and immigrant status are associated with different labor market outcomes for the working poor as well as for the work force as a whole. Historically, ethnic minorities have faced discrimination in labor markets in the United States. This has been reinforced by discrimination in housing markets and the creation of job-poor inner city neighborhoods. Also, recent immigrants are more likely to be employed in lower-wage jobs because of their

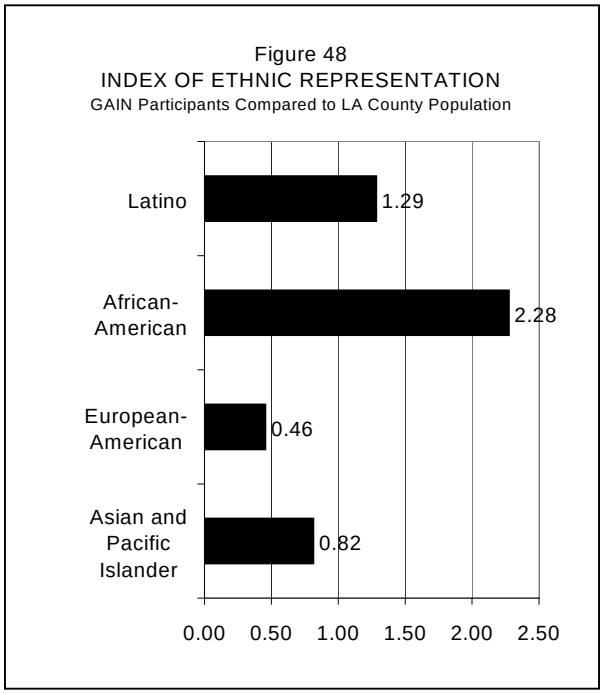
relatively limited levels of education and English-language skills, as well as their reliance on ethnic social networks connecting them with low-wage manufacturing, retail, and service jobs.

Ethnicity

The GAIN population was ethnically diverse. Almost half of all participants were Latino (48 percent), followed by African-Americans (24 percent), European-Americans (18 percent), and Asians or Pacific Islanders (9 percent).[42] ***(Figure 47 shows the ethnic distribution of GAIN participants).***



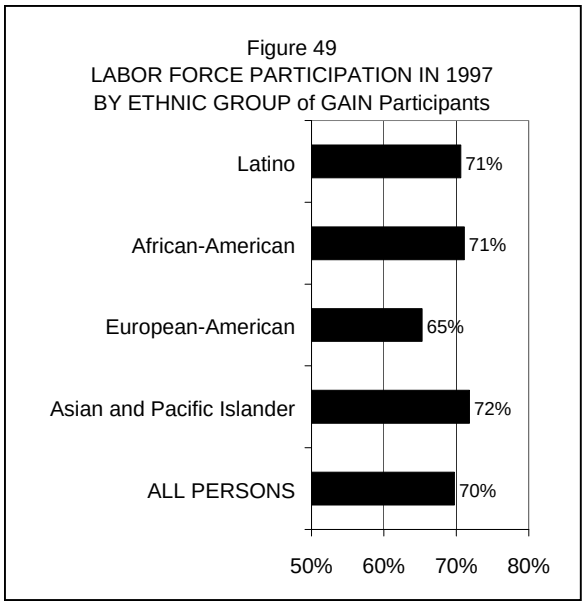
Latinos and African-Americans are more likely to be among the working poor in Los Angeles than are persons of European or Asian descent. Comparing the distribution of GAIN workers with the ethnic composition of Los Angeles County's population, African-Americans were greatly over-represented among GAIN participants ***(see Figure 48)***. The concentration of African-Americans among GAIN participants was 2.3 times greater than their concentration in the overall county population. Latinos were also over-represented, though to a lesser degree. Asians and Pacific Islanders were under-represented, and European-Americans were even more under-represented.



Except for European-Americans, there was little difference in employment rates among ethnic groups. The

[42] We have used the longer but more appropriate terms "European-American" and "African-American" in place of the racial categories "white" and "black". While entrenched in common usage, the latter terms refer to racial groups that have no scientific basis. On the other hand, it is reasonable to distinguish ethnic groups on the basis of geographical origin, especially given the different ways in which Europeans, Africans, and Asians have been incorporated into North American society. At the same time, we must keep in mind the cultural and economic diversity of people within each of these broad groupings.

employment rate of Asians and Pacific Islanders was 72 percent, virtually the same as the 71 percent participation rate of African-Americans and Latinos. European-Americans had a lower participation rate of 65 percent *(see Figure 49)*.

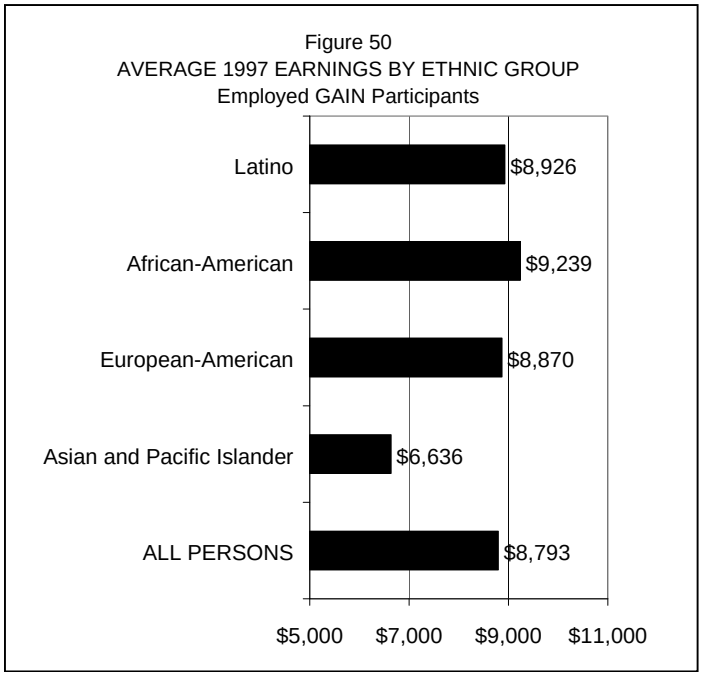


Asians tended to earn much less other groups. The highest average earnings in 1997 were recorded by African-Americans *(see Figure 50)*.

Immigrant Status

There were significant differences in employment outcomes by immigrant status. For purposes of analysis, the GAIN workers were divided into two categories based on United States citizenship status and English-language ability. Workers were classified as "recent immigrants" if (a) they were not US citizens or (b) they were US citizens, but with limited English ability. Persons with US citizenship and no English-language limitations were classified as "US-born or settled immigrants".

Based on this distinction, about two in five GAIN workers could be classified as recent immigrants. Close to two-thirds of recent immigrants were Latinos, 17 percent were Asian, and 15 percent were European (most European immigrant GAIN workers were from Armenia) *(Figure 51)*.



Recent immigrants were less likely to have worked in 1997 than were US-born participants and settled immigrants *(Figure 52)*. Recent immigrants with jobs earned 13 percent less than US-born persons and settled immigrants in 1997. Among recent immigrants, Latinos earned more than both Asians and Europeans *(see Figure 53)*.

Controlling for immigrant status sheds some light

on employment outcomes for different ethnic groups. Comparing the wages of US-born persons and settled immigrants, the highest earnings among employed individuals were recorded by European-Americans ($9,632). African-Americans and Latinos earned 5 percent less.

Excluding recent immigrants, average earnings of African-American workers were less than European-Americans despite their high concentration in professional services industries. Even within the same industry group, African-Americans tended to earn less than did European-Americans.

Figure 51
NUMBER OF GAIN WORKERS
By Ethnic and Immigrant Groups

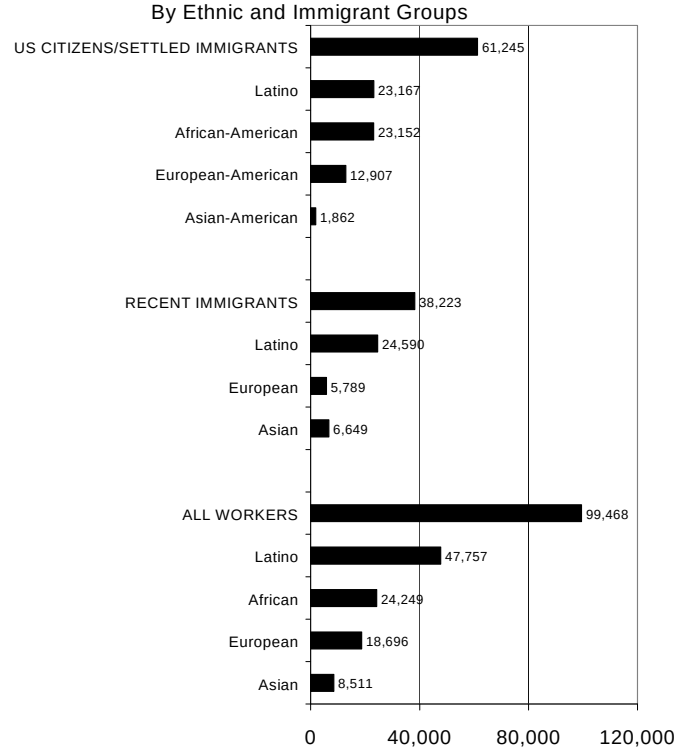
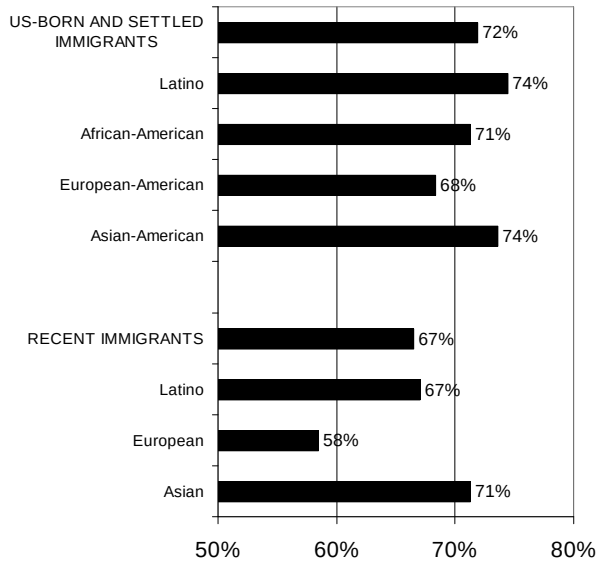
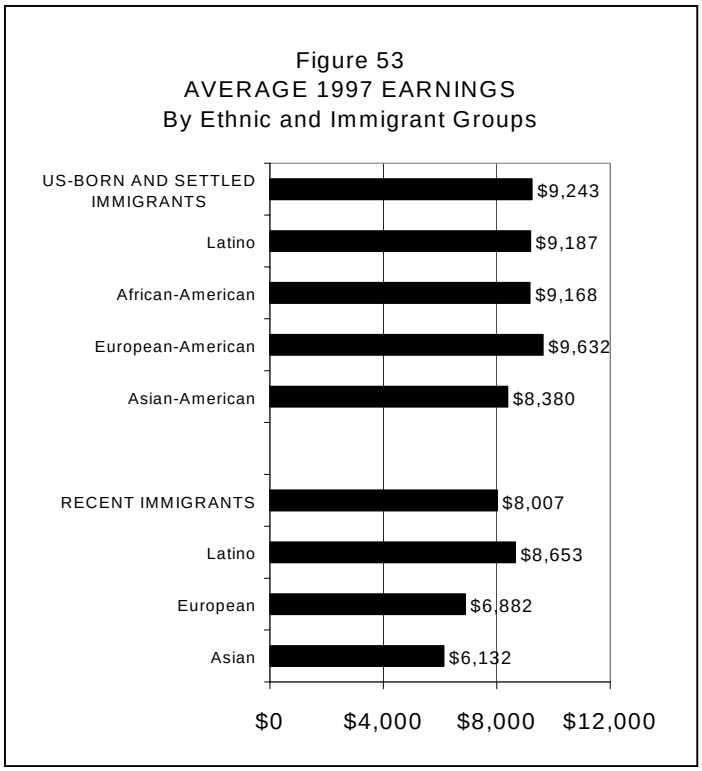


Figure 52
1997 EMPLOYMENT RATES
By Ethnic and Immigrant Groups



European-Americans in professional services earned 13 percent more than did African-Americans in the same industry group. Also, European-Americans employed in business services earned 12 percent more than did African-Americans. The ethnic earnings differential in retail trade was 5 percent.

Lower earnings of African-Americans within the same industry group could be explained by a combination of (a) concentration in inner city labor markets where there is an especially great surplus of low-wage labor (38 percent of African-Americans live in inner-city



neighborhoods compared to only 3 percent of European-American GAIN workers), (b) job discrimination, (c) and employment in lower-wage occupations within the same industry.

To summarize: 84 percent of GAIN workers in our files were classified into the following four groups:

- *Latinos: recent immigrants (25 percent)*
- *Latinos: US-born or settled immigrants (23 percent)*
- *African-Americans: US-born or settled immigrants (23 percent)*
- *European-Americans: US-born or settled immigrants (13 percent)*

Of these four groups, Latinos who were US-born or settled immigrants were most likely to have worked in 1997, with an employment rate of 74 percent. Recent Latino immigrants had the lowest employment rate of these four groups - 67 percent. The highest earnings among employed workers were reported for European-Americans, while recent Latino immigrants had the lowest annual earnings.

Education, English-Language Ability and Employment Outcomes

There are at least two reasons for expecting that better-educated GAIN workers would have higher earnings than less-educated GAIN workers. First, through education people develop general abilities (e.g. communication skills) and specialized knowledge that enables them to apply for higher-wage jobs. And second, educational attainment is a basic screening device in the labor market, regardless of the particular skills and knowledge that potential workers develop through their education. As labor markets become increasingly polarized, education provides essential certification of basic and advanced competencies for workers seeking to enter higher-wage segments of the labor market. In this section we investigate the following three questions related to education:

- What are the main differences in educational attainment among ethnic and immigrant groups?

- How did educational attainment influence 1997 employment outcomes?

- How did English-language ability influence 1997 employment outcomes?

Information about years of schooling was available for 80 percent of the GAIN workers in our file. (Earnings of the remaining 20 percent were above average for GAIN workers, which together with their quick re-entry into the labor force suggests that most had above-average levels of education.) We divided GAIN workers into four educational groups: (1) no high school, (2) some high school, (3) completed high school, and (4) some college.

Figure 54
EDUCATIONAL ATTAINMENT
GAIN Workers in Los Angeles County

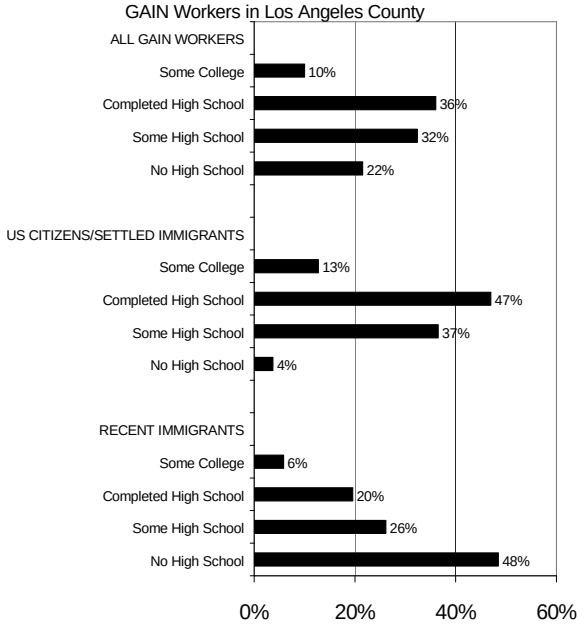
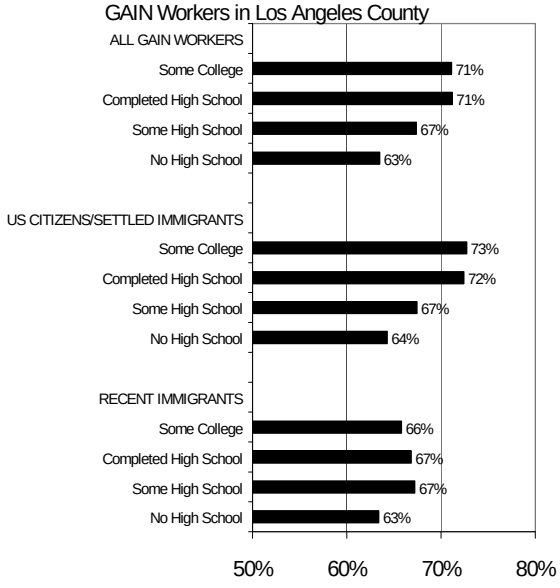


Figure 55
1997 EMPLOYMENT RATES BY EDUCATION GROUPS
GAIN Workers in Los Angeles County



EDUCATIONAL ATTAINMENT AND EMPLOYMENT OUTCOMES

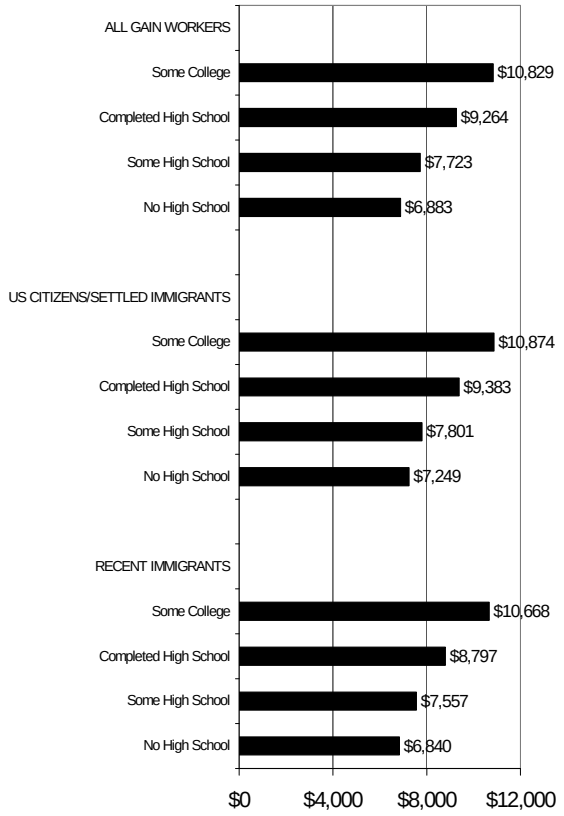
Though generally less educated than the workforce as a whole, GAIN workers have diverse educational backgrounds. Of the workers for whom we have educational information, just over half had not completed high school, including one-fifth who had no high school experience. Just under half had completed high school, including 10 percent with college experience ***(Figure 54)***. By comparison, 70 percent of all adults 25 and older in the county have completed high school, including 49 percent with college experience.[43]

[43] US Department of Commerce, Bureau of the Census, 1990 Census of Population, Social and Economic Characteristics – California. Table 142.

Educational attainment was reflected in the 1997 employment rates of GAIN workers. For all GAIN workers, 71 percent of those completing high school worked in 1997, compared to 67 percent of those with some high school experience and 64 percent of those with no high school experience *(Figure 55)*.

Educational attainment of GAIN workers was strongly related to their earnings in 1997. Persons with college experience had average earnings of $10,829, or 17 percent more than the income earned by persons who had completed only high school and 57 percent more than the earnings of persons with no high school experience *(Figure 56)*.

Figure 56
AVERAGE 1997 EARNINGS BY EDUCATION GROUP
GAIN Workers in Los Angeles County



RECENT IMMIGRANTS: EDUCATION, ENGLISH ABILITY, AND EMPLOYMENT OUTCOMES

There was considerable difference between the educational backgrounds of US-born persons and settled immigrants on the one hand, and recent immigrants on the other. Of the former group, 60 percent had completed high school, including 13 percent with college experience. Only 4 percent had no high school experience. However, almost half of recent immigrants had no high school experience, and only 25 percent had completed high school *(Figure 54)*.

Along with having much lower educational attainment, 61 percent of recent immigrants had limited English ability. Relying on social networks for job contacts constrains their job search to immigrant niches occupied by co-ethnic workers, where English communication is not essential. For example, recent immigrants with limited English ability were five times more likely to be employed in non-durable manufacturing (mainly apparel and textile factories) than were the rest of GAIN workers.[44] While the use of social networks is

[44] Twenty-three percent of GAIN workers with limited English ability were employed in non-durable manufacturing, compared to 5 percent of other GAIN workers.

invaluable in helping immigrants find work, they are likely to lead to very low wages in select manufacturing, retail, and service industries. GAIN workers with limited English ability earned only $6,977 in 1997, 25 percent less than the average earnings of workers with good English-language ability.[45]

There was no clear relationship between educational attainment and the employment rate of recent immigrants. This was probably due to the generally lower employment rates found among those with limited English experience across all educational categories ***(Figure 55)***. The 1997 employment rate of all GAIN workers having limited English ability was 63 percent, compared to an employment rate of 72 percent for all other GAIN workers.

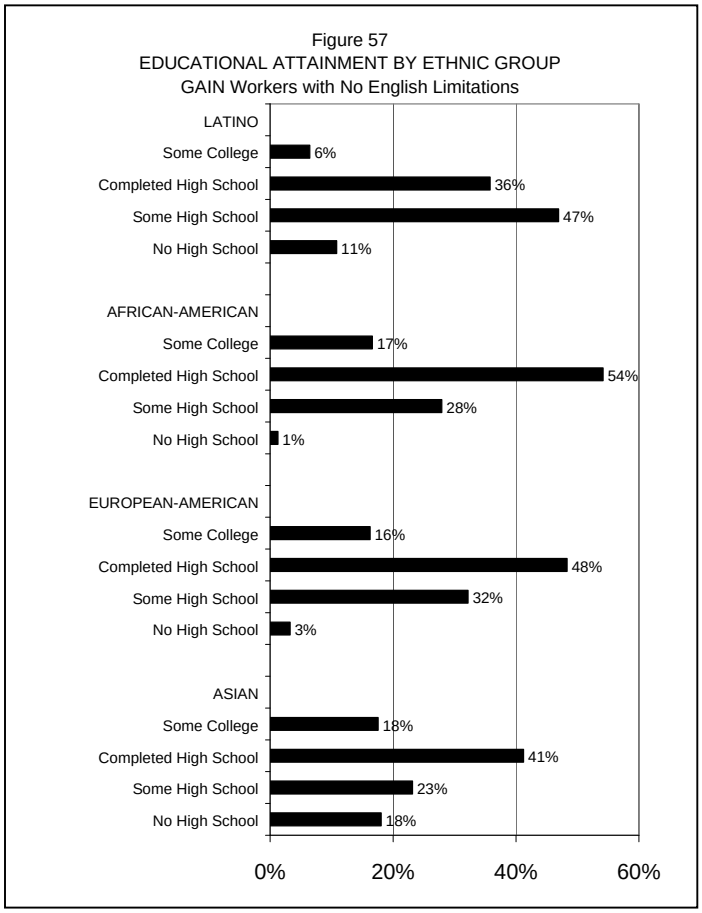
In contrast to employment rates, education did have a notable impact on the earnings of recent immigrants ***(Figure 56)***. Persons completing high school earned 16 percent more than those with some high school education. Recent immigrants with some college education earned 56 percent more than recent immigrants with no high school experience.

ETHNIC GROUPS: EDUCATION AND EMPLOYMENT OUTCOMES

How was educational attainment related to employment outcomes among different ethnic groups? To control for the effects of limited English ability, we determined employment outcomes by ethnic group for GAIN workers without English-language limitations.

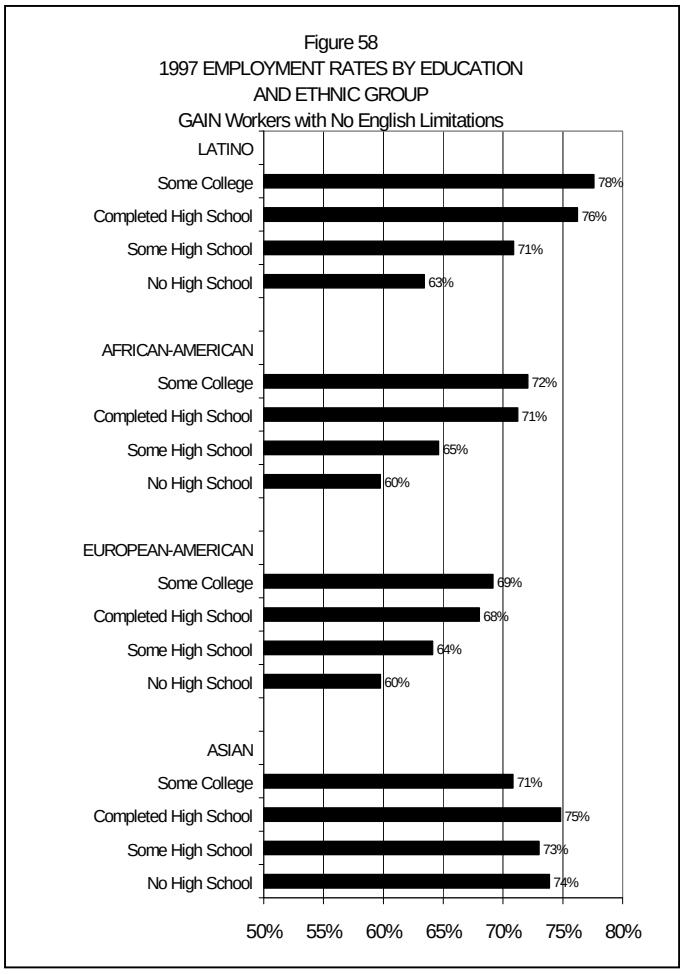
African-Americans had the highest percent of high school graduates, followed by Asian-Americans, European-Americans, and Latinos. Latinos had the lowest percent of workers with

Figure 57
EDUCATIONAL ATTAINMENT BY ETHNIC GROUP
GAIN Workers with No English Limitations



[45] Among GAIN participants, holding US citizenship did not in itself contribute to higher earnings, when controlling for English-language ability. In fact, workers without US citizenship earned slightly more than US citizens, when controlling for English-language ability. On the other hand, English-language ability is a critical factor determining employment outcomes of GAIN participants.

some college experience. Asian-Americans had the highest percent of workers with no high school experience *(Figure 57)*.



There were great differences in employment rates among ethnic groups *(Figure 58)*. For example, 76 percent of Latinos who had completed high school (but with no college experience) worked in 1997, compared to 63 percent of Latinos with no high school experience. Likewise, 71 percent of African-American high school graduates worked in that year, compared to only 60 percent of persons with no high school experience. Sixty-nine percent of European-Americans with a high school degree worked in 1997, versus 60 percent of those with high school experience.

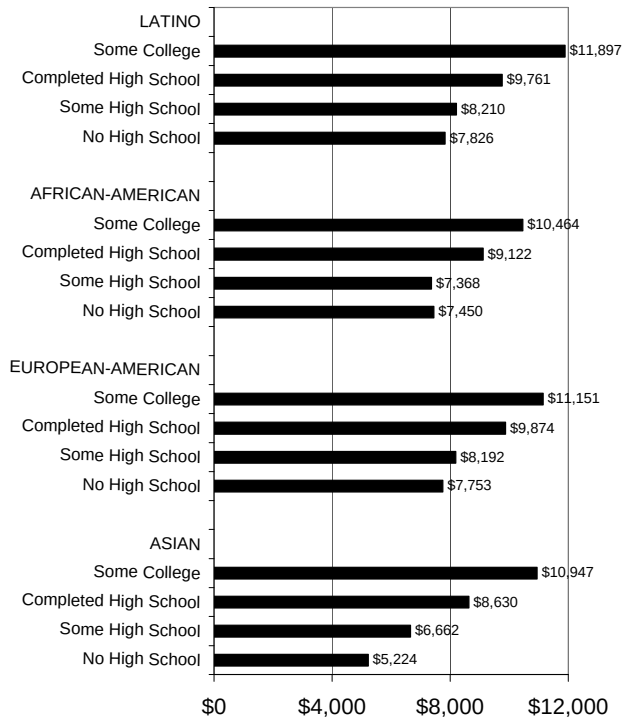
The positive relationship between educational attainment and earnings for the total population of GAIN workers held true across all ethnic groups. Among ethnic groups (excluding those with limited English ability), the earnings for persons with some college experience compared to those without high school experience were higher by 52 percent for Latinos, 40 percent for African-Americans, 44 percent for European-Americans, and 110 percent for Asian-Americans *(Figure 59)*.

Based on 1997 earnings, European-Americans and Latinos appeared to benefit the most from a high school education. European-American high school graduates earned $9,874, or slightly above the $9,761 made by Latino high school graduates (this excludes workers with some college experience). African-American high school graduates earned $9,122, while Asian-American high school graduates earned $8,630 *(Figure 59)*. Among workers with some college experience, African-Americans had the lowest 1997 earnings. These findings support the contention that racial discrimination has played a part in limiting the earnings of African-Americans relative to workers in other ethnic groups with similar levels of educational attainment.[46]

[46] See Paul Ong and Abel Valenzuela Jr., "The labor market: immigrant effects and racial disparities", pp. 165-191 in Roger Waldinger and Mehdi Bozorgmehr (eds.) *Ethnic Los Angeles.* (Russell Sage, New York, 1996.

In summary, educational attainment is closely associated with the employment outcomes of the working poor. For all ethnic and immigrant groups, average earnings jumped with each higher level of educational attainment. Workers with a high school degree also were more likely to have worked in 1997 than were those without a high school degree.

Figure 59
AVERAGE 1997 EARNINGS BY EDUCATION AND ETHNIC GROUP
GAIN Workers with No English Limitations



Workers with limited English ability fared much more poorly in the labor market than did those without English-language limitations. Despite the uniformly low level of earnings of GAIN workers in Los Angeles County, these findings lend considerable support to the argument that education and good English-language ability are essential criteria for improving the ability of workers to gain a secure foothold in the world of work.

Characteristics of GAIN Workers in Higher and Lower Earnings Groups

What characteristics distinguish GAIN workers with higher earnings from those with lower earnings? Are their personal characteristics, industry distribution, and residential geography a factor? For this analysis, we define "higher earnings" as being at least $15,000, and "lower earnings" between $500 and $4,999 in 1997. The higher-earnings group included 11,364 workers (11 percent of all GAIN workers in our files), and the lower-earnings group included 26,038 workers, or 26 percent of the total.

WORKER CHARACTERISTICS

Workers in the higher earnings group were (a) less likely to be between the ages 18 and 24; (b) less likely to be recent immigrants; (c) more likely to have good English ability and (d) more likely to have a higher level of educational attainment:

- Only 6 percent of higher-income workers were between the ages of 18 and 24, compared to 12 percent of lower-income workers.

- Only 28 percent of higher-income workers were recent immigrants, compared to 40 percent of lower-income workers.

- 90 percent of higher-income workers had good English-language ability, compared to only 74 percent of lower-income workers.

- 64 percent of higher-income workers had completed high school, compared to only 43 percent of lower-income workers *(see Figure 60)*.

Figure 60
EDUCATIONAL ATTAINMENT
GAIN Workers in Higher and Lower Earnings Groups

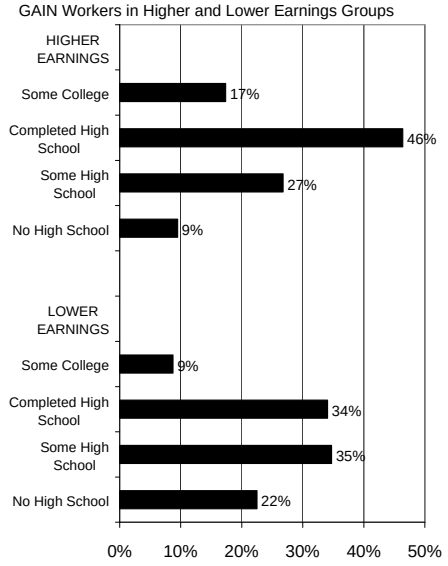
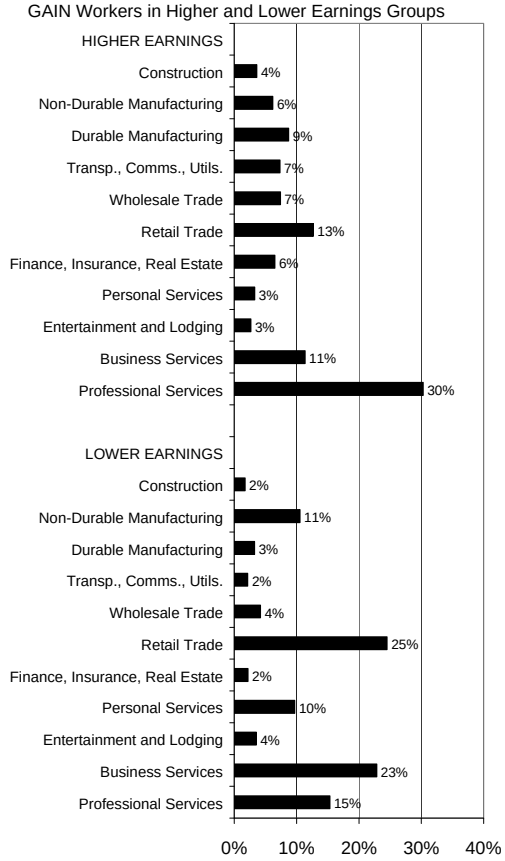


Figure 61
INDUSTRY DISTRIBUTION
GAIN Workers in Higher and Lower Earnings Groups



INDUSTRY

Workers with higher earnings were concentrated in different industries from those with lower earnings. This suggests that in many instances higher earnings can be achieved by having access to jobs in industries offering higher compensation.

Industry distributions of workers with higher earnings and those with lower earnings are shown in Figure 61.

The biggest share of higher-income workers was employed in professional services industries. In contrast, only 15 percent of lower-income workers were employed in professional services. The major

concentrations of lower-income workers were in retail trade and business services, in which GAIN workers earned 23 and 32 percent, respectively, less than in professional services.

Multivariate Analysis of Employment Outcomes

This final section uses multivariate statistical tests to evaluate the importance of different factors discussed in this chapter for explaining the 1997 earnings of a cohort of GAIN workers. For this analysis, we selected women between the ages of 25 and 54 who obtained their first GAIN job at some point in 1996. This is a relatively large group, including 15,449 persons. Additional information about these statistical tests is provided in the Appendix.

Earnings were analyzed for the six major ethnic and immigrant groups of GAIN workers: recent Latino, European, and Asian immigrants; and Latinos, African-Americans, and European-Americans who were US-born or settled immigrants. Immigrants were studied separately so that we could isolate the contribution of English-language ability to their earnings. As discussed above, about two-thirds of GAIN workers who were classified as recent immigrants were Latino.

We investigated the contribution of the factors listed below to 1997 earnings of workers in these six groups. The expected relationship of each factor to earnings is also described.

- *EDUCATION* (completed high school or not): We expected that completing high school would be associated with higher earnings.

- *ENGLISH-LANGUAGE ABILITY* (limited or not): We expected that limited English-language ability would be associated with lower earnings. (This variable was deleted from analysis of earnings for US-born or settled immigrant workers).

- *FULL-TIME WORK EXPERIENCE* (number of full-time quarters worked, 1990-1996): This factor was determined by counting the number of quarters in which a worker earned at least $2,389, which corresponds to making $5.25 an hour and working a steady 35-hour work week. We expected that more quarters of work experience would be associated with higher earnings.

- *GEOGRAPHY OF RESIDENCE* (lived in Inner City or San Gabriel Valley, or not). As GAIN workers are over-concentrated in these two subregions, we expected that having residence in these areas would tend to predict lower earnings.

- *INDUSTRY* (Worked in professional services): We expect that employment in professional services – including health care, education, and social services -- would be associated with higher earnings.

With the exception of English-language ability, the same factors were evaluated for ethnic as well as immigrant groups. The contribution of each factor to explaining the relative earnings of workers in the six ethnic and immigrant groups is discussed below.

Education

Completion of high school had a positive effect on earnings for all three groups of US-born or settled immigrant workers. European-American and Latino workers received greater returns to education than did African-Americans. High school completion was associated with an earnings premium of 27 and 22 percent, respectively, for European-American and Latino workers, but only 12 percent for African-Americans.

Among recent immigrants, high school completion had a positive effect on the earnings of Latinos. However, education was not a significant factor in explaining differences in earnings among Asian and European immigrants, since both of these groups had high percentages of workers with a high school education but limited English ability.

English-Language Ability

Limited English ability had a negative impact on earnings for all three groups of immigrants. This suggests that English-language ability is a prerequisite for improving the earnings of recent immigrants. Workers with English fluency are better able to receive economic benefits from education.

Work Experience

Work experience was positively associated with earnings for all six groups of workers. For example, the 1997 earnings of African-American and European-American workers increased 6 percent for each quarter of full-time work history between 1990 and 1996. Latinos earned 4 percent more for each prior quarter of full-time work.

Among recent immigrants, Europeans received an 11 percent increase in 1997 income for each prior quarter of full-time work. Recent Asian and Latino immigrants earned an extra 6 and 4 percent, respectively, for each prior quarter of full-time work.

Geography of Residence

Residing in the Inner City and San Gabriel Valley had a negative impact of 9 percent on the earnings of African-American workers. However, this relationship between geography and earnings was not as strong as the relationships between the above three variables and earnings. Residing in these subregions had no significant association with the

earnings of the other five groups. It is possible that Latinos, Asians, and Europeans residing in these areas are better connected to jobs than are African-Americans.

Industry

Finding a job in the professional service industries was strongly associated with higher earnings for all groups of workers. Among US-born or settled immigrant workers as well as recent immigrants, European-Americans received the greatest benefit from employment in professional services.

Summary

These results confirm the significance of education for higher earnings for all groups of GAIN workers. Among recent immigrants, English-language ability is virtually a prerequisite for having higher earnings. Together with education and English-language ability, previous work experience and employment in professional services have a positive impact on earnings. These factors are mutually reinforcing. For example, persons with a better education and good English-language ability were more likely to be employed in a higher-wage professional-service job and have significant full-time work experience.

Summary of Findings

1. Older workers earned more than younger workers with the same level of education, but relatively few of the older workers studied had as much education as younger workers. When these less-educated, older workers reach the five-year limit on welfare benefits they are likely to have bleak employment prospects.

2. GAIN workers with limited English ability fared much more poorly in the labor market than did those without English-language limitations. They were less likely to work in 1997 than were persons with good English-language ability. GAIN workers with limited English ability earned only $6,977 in 1997, or 25 percent less than the average earnings of workers with good English-language ability.

3. For all GAIN workers, 71 percent of those completing high school worked in 1997, compared to 67 percent of those with some high school, and 64 percent of those with no high school experience

4. The educational attainment of GAIN workers was a strong predictor of earnings. Persons with some college experience earned an average of $10,829. This was 17 percent more than the average income earned by persons who had completed high school, and 57 percent more than the earnings of persons with no high school experience. The positive relation between educational attainment and earnings was evident for all ethnic and immigrant groups.

5. Eleven percent of all GAIN workers earned at least $15,000 in 1997. Compared to the workers earning between $500 and $4,999, these workers were (a) less likely to be between the ages 18 and 24; (b) less likely to be recent immigrants; (c) more likely to have good English ability; and (d) more likely to have a higher level of educational attainment.

6. African-Americans with jobs had the highest average earnings of any ethnic group, but relative to their overall level of education and non-immigrant status, they had comparatively low earnings.

7. Latinos had the lowest levels of education of any ethnic group.

8. Asians had the lowest earnings of any ethnic group.

9. Statistical tests support the conclusion that workers with a high school diploma had substantially higher earnings than workers lacking a diploma. Earnings of workers with diplomas were 27, 22 and 12 percent higher, respectively, for European-American, Latino, and African-American workers than for those without diplomas. Full-time work experience and employment in the professional services industries were also associated with higher earnings. For recent immigrants, lack of English ability was associated with lower earnings.

Chapter 6

Conclusions and Recommendations

Overview

What we have discovered about earnings of GAIN workers clearly demonstrates that additional interventions are needed to enable low-wage workers in the Los Angeles labor force to become economically self-sufficient. In this chapter we: (1) summarize key findings, (2) discuss some of the tools available for supporting increased earnings by welfare workers, and (3) summarize our recommendations for achieving higher rates of economic self-sufficiency among Los Angeles County's welfare work force.

Key Findings

1. GAIN has significantly increased employment rates among participants.

2. In 1997, 65 percent of long-term GAIN workers (those whose first GAIN job was at least three years earlier) had earnings below the poverty threshold for just one person and 74 percent had earnings below the poverty threshold for their families.

3. Most GAIN workers have low-paying jobs in low-wage industries, and many of these industries are growing in Los Angeles County. There is a shortage of jobs in the county that pay sustaining wages to workers with average levels of education.

4. Education and the ability to speak English are the most significant factors associated with GAIN workers who have higher earnings.

5. Characteristics of GAIN workers, the kinds of jobs that are available to them, and the amount that they earn vary significantly from one city to another in the county.

Tools for Supporting Increased Earnings by Welfare Workers

In this section we discuss six tools that we believe should be used to achieve increased earnings by welfare workers: (1) approaching the earnings and productivity of welfare workers as a potential asset for the regional economy, (2) expanding the use of TANF funds, (3) making full use of training capacity at community colleges, (4) making full use of job training programs, (5) initiating strategies to create jobs offering low-wage workers opportunities for advancement and sustaining earnings, and (6) increasing the minimum wage.

1. REGIONAL ECONOMIC BENEFITS OF INCREASED EARNINGS BY GAIN WORKERS

There is interplay between the jobs available to welfare workers and the skills those workers are able to offer employers that influences the course of the regional economy. An abundance of low-skilled workers attracts low-wage industries that can utilize such workers, and to the extent that these industries grow and are the primary employers available to welfare workers, they remain trapped in an insecure, low-wage labor market.

Benefits from growth in productivity and wages that enable welfare workers to break out of the low-wage labor market go beyond the individual workers and extend to the entire regional economy. In the box below we use input-output multipliers to create a scenario of regional economic benefits from increased earnings by GAIN workers. This scenario takes the five income bands shown in Figure 13 (1997 earnings for five equally sized groups of long-term GAIN workers who had gotten their first GAIN job in 1994 or earlier) and shows the impacts of raising the average earnings of workers in each band to match that in the next highest band. This scenario assumes a population of 200,000 GAIN workers, but looks only at the bottom four bands, since the top band is already financially self-sufficient.

Economic growth linked to 160,000 GAIN workers moving up the income ladder by one rung each (an average of $4,670 a year more in earnings per worker) would: increase their collective income and buying power by over $750 million a year, create over 20,000 jobs, add over $1.5 billion to the economy, and add over $40 million a year in local taxes paid by businesses. This scenario is summarized in the box below and shows that welfare-to-work needs to be seen as a force affecting growth and development of the local economy.

Economic Impacts of Increased Earnings by GAIN Workers

Based on Raising Each Income Band to the Next Highest Level

Career Advancement for 160,000 Workers

Income Band	*Average Earnings in 1997*	*Increase in Earnings from Rising to Next Income Band*	*Number Impacted Assuming 200,000 GAIN Participants*	*Additional Annual Earnings That would Result From Rising to the Next Income Band*
Lowest 20%	$ 163	$ 1,840	40,000	$ 73,600,000
Next-to-Lowest 20%	$ 2,003	$ 3,348	40,000	$ 133,920,000
Middle 20%	$ 5,387	$ 4,829	40,000	$ 193,160,000
Next-to-Highest 20%	$ 10,216	$ 8,665	40,000	$ 346,586,027
Highest 20%	$ 18,881	*n.a.*	0	*n.a.*
			Total Additional Annual Earnings =	$ 747,266,027
				Regional Economic Benefits:
			29.8 New Jobs per Million Dollars =	22,269
			Total Economic Output Multiplier of 2.05 =	$1,531,895,356
			Local Business Tax Revenues = Output x $.028 =	$ 42,893,070

2. EXPANDING THE USE OF TANF FUNDS

Los Angeles County receives approximately $1.5 billion a year in TANF funds. After the 1997-1998 and 1998-1999 fiscal years, the county is expected to have accumulated an unused surplus of over $300 million.[48] Even though the county has critical unmet needs among its working poor families, this accumulation of unused funds may lead to reductions in future state and federal welfare-to-work allocations to the county.

The problem of welfare dependency in Los Angeles County is part of a larger problem of insufficient employment-related services and jobs paying living wages for the working poor. Findings in this report show that many GAIN participants come from and return to a large pool of low-wage workers. This entire pool of workers is vulnerable to welfare dependency and in need of assistance to achieve economic self-sufficiency.

These factors justify expanding the GAIN program into an employment facilitation clearinghouse for the working poor. The mission of this clearinghouse would include: (a) assessment and counseling to develop individual education, training and employment strategies, (b) facilitating skill development, and (c) providing employment-related services such as childcare, transportation, and training to low income individuals who are not receiving aid.

Selected Highlights

Eligible Uses of Los Angeles County TANF Funds

Federal welfare reform legislation gives states enormous flexibility to design welfare-to-work programs in ways that they determine will best promote work, responsibility, and economic self-sufficiency, and strengthen families.

- Except as expressly provided under the statute, the federal government may not regulate the conduct of states.
- States can define which families are needy, and this can extend beyond those receiving cash assistance.
- States can define the kinds of services that should be provided to needy families. Aside from cash assistance, possible services include:
  - (a) education and training
  - (b) transportation
  - (c) subsidized employment
  - (d) child care
  - (e) access to housing and health care
  - (f) new business start-ups

Federal legislation establishes performance requirements specifying the percent of welfare families who must participate in work activities (although states can request waivers).

- Up to one-quarter of this work activity can be in the form of vocational training lasting up to twelve months, or secondary education for teen parents.
- Individuals who have already enrolled in an undergraduate or certificate training program when they enter GAIN can continue in the program if it will be completed within 18 to 24 months and lead to self-supporting employment.

[48] Carla Rivera, "Welfare Drop Leaves County with Surplus," *Los Angeles Times*, January 30, 1999.

Moving GAIN beyond the work-first model to a think-first strategy[49] entails establishing policy consensus and operational capability to define and manage:

1. Guidelines for serving non-aided members of the working poor based on availability of TANF funds after serving TANF recipients;

2. Guidelines for determining which individuals should have first call on education, training opportunities, and supportive services within the framework of available TANF resources

3. Guidelines for making fullest and best use of education and training services available through community colleges, adult education and vocational training programs, and the eight job training service delivery areas.

Serving Non-aided Members of the Working Poor

State action will be required to broaden the eligible use of TANF funds under CalWORKS (California's implementing legislation for TANF) to include employment-related services for the working poor. Means tests should be established to identify working poor families that are eligible for these services, taking into account amount of earnings, duration of low earnings, and family assets.

This will create significant additional administrative burdens for the GAIN program which can be alleviated by enlisting the services of job training jurisdictions in certifying individuals' eligibility for employment services and issuing vouchers that enable eligible individuals to obtain services from a list of approved providers. The job training jurisdictions have reliable capabilities for reviewing and documenting income eligibility. Vouchers can be issues on a first-come, first-served basis, with the number of vouchers available regulated to conform to the availability of TANF funds after having paid for services required by TANF participants.

Allocating Education and Training Opportunities among TANF Participants

A report recently released by Educational Testing Service provides a valuable analysis of the skills of welfare recipients in comparison to other American workers, their opportunities for sustaining employment, their education and training needs, and the benefit of effective career counseling. Major findings include:

[49] This terminology is introduced in a recent report: Anthony P. Carnevale and Donna M. Desrochers, *Getting Down to Business: Matching Welfare Recipients' Skills to Jobs That Train*, Educational Testing Service, Princeton, NJ, 1999.

- Work alone is not enough. More time on the job will not appreciably increase low-skilled workers' earnings, unless they are placed in jobs with employer-provided training. Real job growth, earnings potential, and access to employer-provided training are found in higher-skilled occupations. The missing link between work and economic success is skill.

- 32 percent of recipients nationally demonstrated competent or advanced skills that make them readily employable. There is often a significant payoff in allowing participants with competent skills to receive post-secondary education that moves them to an advanced skill level, possibly doubling their income and making them permanently self-sufficient.

- 37 percent of recipients had basic skills similar to high school graduates in the lower half of their class. These women have the skills to get a job but not to move up the career ladder. Many will benefit from the equivalent of a semester of education or training, and most will benefit from being part of employer-sponsored training programs.

- 31 percent of recipients had minimal skills similar to school dropouts. More than two years of coursework are required to enable many of these women to acquire basic skills, and even then many in this group will have great difficulty achieving economic self-sufficiency.

- More careful job placement that matches individual welfare recipients' skills to the skill requirements in particular jobs can, by itself, result in permanent self-sufficiency for some welfare recipients.[50]

These findings provide a useful framework for building skills of GAIN participants. The foundation for an effective skill development program is a careful assessment of individual's skills, abilities, interests, knowledge, and experience that will support well-conceived individual strategies for education, training and employment.

It will be a major undertaking to assess the entire GAIN population. This can be done by: (1) building capabilities within the Department of Public Social Services to assess new cases as they flow into the welfare system, and (2) identifying effective assessment organizations among job training and vocational rehabilitation service providers, and secondary and post-secondary educational campuses, and arranging funding to obtain their services.

Assessments should score participants based on educational potential, suitability for on-the-job training, level of motivation, employment experience, occupation-specific skills, and employment-related personal circumstances. This information should be used to

[50] Carnevale and Desrochers, *Getting Down to Business*, pp. iv, v, 2. Based on education data about GAIN participants it appears that overall skill levels of welfare recipients in Los Angeles County may be lower than those identified in the Education Testing Service study, which looked at a national sample of welfare recipients.

counsel the individual and produce individually customized career development plans. The same level of individual accountability that currently applies to complying with GAIN work requirements should apply to fulfilling career development plans. An additional use of these plans will need to be to determine priorities for assignment to education and training slots since funding, availability of education and training openings, and the cap imposed by TANF are all less than the immediate skill development needs of the GAIN population.

Utilizing Education and Training Services

Roles for different education and training organizations are discussed in the following sections.[51] Several broad considerations underlie these recommendations. First, the job training jurisdictions have unique capabilities for providing on-the-job training. Second, on-the-job training is outside the cap on education and vocational training that is imposed by TANF. And, third, the exception to this cap provided by CalWORKS for individuals who initiate their own education program before entering GAIN should be widely advertised by the GAIN program and community colleges to encourage self-selection of individuals who are motivated to pursue post-secondary education.

3. USING EDUCATION AND TRAINING CAPACITY AT COMMUNITY COLLEGES

The single most important characteristic for distinguishing welfare workers who have feasible prospects for achieving financial self-sufficiency from those who are likely to remain below the poverty level is whether the individual has attended college. Because community colleges offer the most accessible point of entry into higher education we conducted a survey of the thirteen community college districts in the county asking two questions:

Enrollment of Welfare Recipients in Los Angeles County Community Colleges

Community College District	*Number Welfare Recipients Enrolled Fall 1997*	*Fall 1998*	*% Change*
Antelope Valley	1,447	1,074	-26%
Cerritos	1,554	1,659	7%
Citrus	519	456	-12%
Compton	1,354	1,364	1%
El Camino	859	1,050	22%
Glendale	3,081	2,508	-19%
Long Beach	2,797	1,954	-30%
Los Angeles	11,474	11,465	0%
Mt San Antonio	2,200	1,400	-36%
Pasadena	792	709	-10%
Rio Hondo	1,426	1,092	-23%
Santa Clarita	166	271	63%
Santa Monica	1,234	1,161	-6%
TOTAL	*28,903*	*26,163*	*-9%*

[51] It was beyond the scope of this study to investigate the current and potential role of adult and vocational education programs provided by local education agencies. These programs vary from community to community, offerring important basic education and vocational training services.

1. How many welfare recipients were enrolled in classes at your college in the fall semester of 1997?

2. How many welfare recipients were enrolled in classes at your college in the fall semester of 1998?

Responses from community colleges are shown in the box on the preceding page and indicate a 9 percent decline in enrollment of welfare recipients at community colleges from the fall semester of 1997 to the fall semester of 1998.[52] It is difficult to determine how much of this decline is attributable to declining welfare caseloads (DPSS reports an 11.5 percent decline during this period), and how much is the result of pressure by the GAIN program for recipients to obtain immediate employment. What is apparent from the data is that there is unused capacity in the community college system to provide education and training for additional aid recipients.

Community colleges receive CalWORKS funding to educate aid recipients. Full use of this and general educational funding to educate aid recipients will increase the number who become financially self-sufficient and improve the skill level in the local labor force.

4. UNDER-UTILIZED JOB TRAINING RESOURCES

Los Angeles County is served by eight job training jurisdictions that receive federal grant funds, passed through the state, to support skill development and employment for economically disadvantaged individuals. These jurisdictions receive over $61 million a year in block grant funds to support welfare-to-work efforts in the county, and could receive an additional $35 million in discretionary funds (see box on next page).

At an average cost of about $6,000 each, these funds could support substantive skill development or education programs for up to 16,000 GAIN participants a year. Currently, however, only a trickle of individuals are making their way from the county's GAIN program to job training jurisdictions. Some of the obstacles include: (1) the emphasis placed by the GAIN program on finding a job rather than developing skills, (2) failure by individuals who are referred to show up in job training offices, and (3) difficulties inherent in building a working interface between organizations that did not previously have working relationships.

During the first eight months of this fiscal year there were only 75 successful referrals of GAIN participants into Department of Labor-funded welfare-to-work job

[52] Responses were received from all 13 districts, representing 21 community college campuses in the county. Community colleges vary in their ability to identify the number of aid recipients enrolled at their campuses. The primary source of information is the State Chancellor's office, which cross-references Social Security numbers of students and aid recipients. This information is two years old when it is given to the community colleges (e.g., they received information about their 1995-96 head count in the 1997-98 academic year). Community colleges with independent, on-campus systems for determining the number of aid recipients who are students report higher levels of decline than those relying on state data. Therefore, this data probably understates the actual decline in enrollment of welfare recipients in community colleges.

training programs. As much as two-thirds to three-quarters of the block grant welfare-to-work job training funds allocated to training jurisdictions in the county for the 1998-99 fiscal year may go unused and be carried over into the following fiscal year. This means that current levels of employment services for GAIN participants are unnecessarily low, and also that there is a lack of program purpose and momentum that would support obtaining a fair share of state and federal discretionary funds for the region.

Strengths of the job training jurisdictions include: (1) brokering performance-based relationships domains that otherwise have little contact, specifically low income individuals, training organizations and employers, and (2) verifying and documenting income eligibility. These capabilities make the training jurisdictions well suited for autonomous roles in brokering on-the-job training for the middle segment of GAIN participants who have capabilities and motivation for further skill development, but not necessarily for post-secondary education.

GAIN workers and the regional economy will benefit from full utilization of all available job training funds to support substantial investments in training GAIN participants to meet the competency requirements of employers who offer sustaining employment opportunities. Furthermore, by defining an autonomous sphere of approved activity for these jurisdictions, which currently have large amounts of unused welfare-to-work funding, the current bottleneck in GAIN referrals can be bypassed.

Welfare-to-Work Funding for Job Training in Los Angeles County

Los Angeles County 1999-2000 Fiscal Year

	1999-2000 Welfare-to-Work formula Grant	*Fair Share of State Discretionary Funding*	*Fair Share of Federal Discretionary Funding*	*Total Potential Fair-Share Funding*
Carson, Lomita, Torrance	$ 496,913	$ 87,691	$ 194,868	$ 779,471
Foothill	$ 1,198,234	$ 211,453	$ 469,896	$ 1,879,583
Long Beach	$ 3,372,783	$ 595,197	$ 1,322,660	$ 5,290,640
Los Angeles City	$ 30,016,252	$ 5,296,986	$ 11,771,079	$ 47,084,317
Los Angeles County	$ 21,075,924	$ 3,719,281	$ 8,265,068	$ 33,060,273
Southeast Los Angeles County	$ 1,314,413	$ 231,955	$ 515,456	$ 2,061,824
South Bay	$ 2,018,565	$ 356,217	$ 791,594	$ 3,166,376
Verdugo	$ 1,835,374	$ 323,890	$ 719,755	$ 2,879,018
TOTAL	*$ 61,328,458*	*$ 10,822,669*	*$ 24,050,376*	*$ 96,201,503*

Note: The fair share of discretionary funding for each jurisdiction is calculated based on receiving a proportional amount of the 15 percent held back by the state, and the 25 percent held back by the federal government for discretionary grants.

5. JOB CREATION

A primary finding from this and earlier Economic Roundtable reports is that changes over the past two decades in the Los Angeles economy have greatly reduced the number of jobs that pay sustaining wages for entry-level workers. Not only is there an overall shortage of jobs in the county (5 percent fewer in 1998 than in 1990), but there is an especially acute shortage of jobs that pay sustaining wages for people with average levels of education who lack specialized occupational skills. These industry changes are discussed in the Appendix.

The State of California has provided modest funding for counties to plan and begin implementing job creation programs for welfare workers. In the County of Los Angeles this funding and responsibility are being coordinated by the county's Community Development Commission. Highlights from the draft job creation plan are shown in the box below.

The draft plan sets ambitious goals for job creation, but calls for economic development activities that would create jobs for all segments of the labor force rather than focusing on welfare workers. Implicit in this approach is the problematic assumption that all of the adaptation needed to make the working poor economically self-sufficient can be accomplished by changing the skill characteristics of workers, rather than also by supporting creation of suitable jobs. Inherent in this strategy is a significant risk of supporting existing tendencies of the regional economy toward greater income polarization, with most new jobs that pay sustaining wages going to individuals who are not part of the working poor.[53]

To meet critical employment needs of low-income workers we recommend developing community-level job creation strategies based on identifying industries that will utilize the skills of local welfare workers and pay sustaining wages. Steps include:

- Identify skills, occupations and potential careers of low-wage workers in each community;
- Identify industries needing these skills that can grow in each city and community;

Highlights of Draft Report
Los Angeles County Welfare-to-Work Job Creation Plan

Objectives:
- Rebuild economic opportunities lost during the last recession
- Create 535,000 jobs by 2003
- Support a growing, upwardly mobile labor force
- Create jobs at all salary and skill levels

Mechanisms:
- Improve environment for business growth
- Facilitate one-on-one business assistance
- Strengthen communities by developing local economies
- Formalize the collaboration between workforce development and economic development
- Develop sub-regional plans

[53] Recent research documents that: "The state's poor have been losing income ground steadily, in good economic seasons and bad, since the late 1960s. . . . Policies intended to promote growth through technological change and international trade have contributed to the growth in income inequality experienced in California." Deborah Reed, *California's Rising Income Inequality: Causes and Concerns*, Public Policy Institute of California, San Francisco, 1999, pp. xxiii, xxv.

- Create a short list of industries paying wages that lead to economic self-sufficiency;
- Develop business expansion and attraction strategies for target industries;
- Assemble incentive packages for target industries; and
- Work with employers to organize worker training.

6. INCREASING THE MINIMUM WAGE

In the post-welfare reform era, the only path to economic survival is through employment. With the labor market as the social safety net, it is necessary that individuals be able to sustain themselves and their children if they work full-time.

Recognizing the public interest in having an economically self-sufficient work force, three California cities have passed living wage ordinances. The minimum wage rates for workers covered by these ordinances are $8.50 in Pasadena, $8.64 in Los Angeles, and $10.75 in San Jose. In addition, the County of Los Angeles is considering such an ordinance. Living wage ordinances provide official recognition of the level of earnings necessary for survival, but their impact is limited to city or county employees and contractors.

California Minimum Wage

Minimum Wage Highlights

- The federal minimum wage became $5.15 an hour on September 1, 1997.
- The California minimum wage became $5.75 an hour on March 1, 1998.
- California's minimum wage was established when voters approved proposition 210, the Living Wage Act of 1996.
- California's minimum wages can be changed in four ways:
  (a) The California Industrial Welfare Commission can, by a majority vote of its members, issue "wage orders" to raise the minimum wage for specified workers. The commission in 1988 last used this process, raising the minimum wage to $4.25.
  (b) The state legislature can approve, and the governor sign, legislation to increase the minimum wage. In 1998, two such measures were introduced but not approved.
  (c) Voters can approve an initiative such as Proposition 210.
  (d) The federal government can set a higher minimum wage that supercedes state law.

A Minimum Wage that Raises Full-time Workers above the Poverty Level

- The estimated poverty threshold for one parent with two children in 1999 is $13,338 (this was calculated by applying the 1997-1998 rate of change to the 1998 threshold).
- To rise above the poverty threshold, a full-time worker (1,920 hours a year) must take home $6.95 an hour.
- Minimum payroll taxes (6.2% Social Security, 1.45% Medicare, .5% Disability Insurance, 5% federal income tax withholding) will deduct 13.15% from earnings.
- To take home $6.95 an hour a worker needs a wage of $8.00 an hour.

Action by the State of California is necessary to ensure that full-time workers can lift themselves and their children out of poverty. Three possible mechanisms for state action are shown in the box on the preceding page, along with calculations indicating that a single parent with two children needs to earn at least $8.00 an hour to have take-home earnings above the poverty level.

Summary of Recommendations

Findings about the employment needs of GAIN workers and the preceding discussion of tools available for helping these workers achieve increased earnings converge on the following specific recommendations for actions by the County of Los Angeles and the State of California that are presented below.

1. Expand the role of GAIN to place much greater emphasis on skill development, based on comprehensive assessments of GAIN participants and routing of participants to basic education, vocational training, on-the-job-training, or post-secondary education. Placement of individuals should be based on their readiness, available funds, and available training and education slots.

2. Create individual career development plans for each participant based on assessment information and labor market information about occupations that will provide the best opportunities for economic self-sufficiency for each individual.

3. Amend CalWORKS regulations to allow use of TANF funds, when available, for employment-related services for members of the working poor who are not receiving cash assistance.

4. Make full use of training and education capacity in public educational institutions, particularly at the post-secondary level.

5. Publicize the fact that individuals who initiate their own education or training program are allowed to continue that program after entering GAIN, provided the program will lead to employment and be completed within two years.

6. Define an autonomous mission for job training jurisdictions that includes using their capabilities for certifying income eligibility and negotiating on-the-job training positions with employers.

7. Design and initiate community-level job creation initiatives that are guided by the skills and career potential of local low-wage workers. This should result in

integrated skill development and economic development programs that both raise the skill level of welfare workers and create jobs that match their qualifications.

8. Increase the minimum wage to a level that ensures that a single parent with two children who works the number of hours specified under TANF will have enough take-home earnings to support his or her family above the poverty level.

Chapter 7

Comments by the Los Angeles County Department of Public Social Services And Economic Roundtable Responses

Introduction

This chapter provides comments on this report from the Los Angeles County Department of Public Social Services (DPSS) and responses from the Economic Roundtable. DPSS received this report in two installments and this is reflected in the format of comments provided by the department:

- Transmittal letter for comments on Chapters 1-3
- General comments on Chapters 1-3
- Detailed comments on Chapters 1-3
- Transmittal letter for comments on Chapters 4-6 and Appendix
- General comments on Chapter 4-6 and Appendix
- Detailed comments on Chapters 4-6 and Appendix

These sections follow in the order listed above and make up the remainder of this chapter.

Lynn W. Bayer
Director

April 1, 1999

Daniel J. Flaming, Ph.D.
Economic Roundtable
315 West Ninth Street, Suite 1209
Los Angeles, CA 90015

Dear Dr. Flaming:

ECONOMIC ROUNDTABLE=S DRAFT REPORT: "ON THE EDGE - A PROGRESS REPORT ON WELFARE-TO-WORK IN LOS ANGELES COUNTY"

This is in response to your request for my department's review of the first half (three chapters) of the referenced report which you provided to us on March 15, 1999. These three chapters contain a great deal of interesting and informative data on the economic outcomes of GAIN participants who entered employment through the GAIN Program. process of reviewing the remainder of the report and will be providing additional comments upon completion of that review.

Thank you for the opportunity to review the preliminary draft report. We hope that our comments are useful in the preparation of your final document.

Sincerely,

LYNN W. BAYER, DIRECTOR

LWB:as

Enclosures

DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS APRIL 1, 1999

ECONOMIC ROUNDTABLE DRAFT REPORT: "ON THE EDGE - A PROGRESS REPORT ON WELFARE-TO-WORK IN LOS ANGELES COUNTY"

GENERAL COMMENTS

1. The report title may be misleading to some readers by referencing "Welfare-to-Work in Los Angeles County". As you know, the term welfare-to-work has been used in connection with welfare reform and connotes specific meaning for most readers in that context. Since your report looks at the pre-welfare reform GAIN program and not the existing Welfare-to-Work Program, we suggest use of a different phrase in the report title.

   Economic Roundtable response:
   It is our understanding that the major distinction between the GAIN program before April 1998 and the program that followed is that the post-April 1998 program covers many more individuals. The pre-April 1998 program had mandatory work requirements, sanctions for noncompliance, a work-first structure, earnings disregards that provided financial rewards for working, and (to some extent) supportive services such as childcare. Given that all of these defining characteristics are shared with the post-April 1998 GAIN program, it appears reasonable to apply the term welfare-to-work to both.

2. We suggest that the Executive Summary include identification of significant findings and give the courses of action being recommended to improve the effectiveness of Los Angeles County's GAIN program. This will give the reader a straightforward view of what findings will be introduced in the remainder of the report.

   Economic Roundtable response:
   We appreciate this suggestion. The final version of this report begins with an executive summary in a format similar to that outlined in the suggestion.

2. It appears that too much emphasis is placed upon the effect initial GAIN placement in employment versus education or training had on the future economic status of GAIN participants. We are concerned that Economic Roundtable did not give adequate consideration to the many other economic and demographic factors that were at work during the study period which

could have played a significant role.

For instance, sharp fluctuations in the County's unemployment rate during the study period, shifts in the types of participants being enrolled in GAIN, and increases in the percentage of recent immigrant and non-English speaking clientele in the AFDC caseload could have impacted the future economic status of GAIN participants who entered employment during that period.

To the extent possible, further consideration should be given to employment of GAIN participants in occupations which do not report earnings through EDD. In this report, these individuals are included in the GAIN employed population but their earnings are not included.

Economic Roundtable response:
We agree that labor market conditions are very important in determining whether GAIN participants are able to find jobs and earn a sustaining income. We explored this issue in two earlier reports on welfare-to-work in Los Angeles, *By the Sweat of Their Brow* and *Survival Skills*, and it is also touched on in Chapters 2 and 3, and the Appendix of this report. Demographic factors are discussed in Chapter 5 of this report.

In trying to understand the employment outcomes of GAIN participants we have to control for a number of independent and continuously changing factors, including:

- Cycles of declining or increasing earnings in the lives of individual welfare recipients. As we discuss in Chapter 2, we see a multi-year pattern of steadily declining earnings before GAIN and increasing earnings after GAIN. Since we are analyzing eight years of data we have taken care to group participants into cohorts based on when they got their first GAIN job. This provides a useful and consistent set of reference points for identifying cycles of individual economic change.
- Cycles of regional economic change that alter the level of competition and compensation for jobs. During the period studied in this report the region experienced a protracted recession from which we are still recovering.
- The various industries and occupations in which welfare job seekers find work, some of which offer much better employment opportunities than others.
- A changing welfare population with significant diversity in terms of level of education, English language skills, and other employment-related attributes.

Our conclusion after isolating and analyzing each of these factors is that a worker's level of education and training is critical for determining relative

success in the labor market. We disagree with the comment that too much emphasis is placed on these factors. The central thrust of this report is to isolate and assess different factors affecting employment outcomes. These analyses produce the finding that education and training are the most important factors affecting employment outcomes that can be addressed through activities within the scope of the GAIN program.

We agree that it would be useful to analyze additional factors in greater depth. For example, we think it is important to understand patterns of job retention and turnover, and we plan to investigate this and other issues in the future.

We agree with the final suggestion under point 3 that it would be useful to study GAIN participants whose earnings are not reflected Employment Development Department (EDD) data. It is important to understand that the only workers in jobs outside of the military and nonprofit religious organizations that conform with state and federal labor laws but do not show up in EDD data are self-employed individuals such as doctors, lawyers, accountants, independent consultants, independent contractors, independent sales persons, or owners of rental property. We do not believe that GAIN participants fall into these categories in significant numbers.

It is probable that most GAIN participants who are employed but do not show up in EDD data are working in the underground economy. This means that they do not receive legally required employment benefits such as unemployment insurance, disability insurance, or Social Security benefits for their old age. While it would be beneficial to understand more about these jobs and the workers in them, we think it is undesirable to encourage GAIN participants to take such jobs.

4. Consistently throughout the report GAIN participants who found employment are referenced as "GAIN workers" or "welfare workers". These references could be confusing to the reader as these terms are commonly applied to welfare department employees (e.g., case workers, GAIN workers, etc.).

Economic Roundtable response:
We agree that using the terms "welfare worker" and "GAIN worker" to describe GAIN participants who are looking for work or employed is somewhat confusing because these terms are also used to refer to DPSS employees. However, these are the best terms we have found for describing someone who is connected with both the welfare system and the labor market.

5. It is not apparent that the various public and private entities instructed by the February 10, 1998 Board Motion to work with you in preparation of a

consolidated report on GAIN earnings participated in the process. We suggest that the Executive Summary specify each agency's contribution and whether or not they participated in the review process.

Economic Roundtable response:
We have received valuable assistance from several of the organizations that the Los Angeles County Board of Supervisors requested make contributions to this report. These contributions are mentioned on the Acknowledgements page of this report. It should be noted that we have been constrained by confidentiality agreements with both the Department of Public Social Services and the Employment Development Department that prohibit us from allowing individuals outside of our research team from seeing the records we are analyzing. This has meant that unless organizations were doing related research or analysis it was difficult for them to contribute to this project.

On July 29 and December 4, 1998 letters were sent to each organization requested by the Board of Supervisors to contribute to this analysis and a meeting of these organizations was held on December 15, 1998. Contributions from each organization are as follows:

Community Development Commission of Los Angeles County: participated in December 15 meeting, provided copy of draft job creation plan, and provided feedback on comments regarding the draft plan.

Economic Development Corporation of Los Angeles County: did not participate in December 15 meeting or respond to correspondence.

Los Angeles County Department of Community and Senior Citizens Services: participated in the December 15 meeting but said they were not involved in research that was applicable to this report.

Los Angeles County Department of Public Social Services: provided records analyzed in this report, provided information regarding file structure and data definitions, provided information about the GAIN program, participated in the December 15 meeting, and reviewed and commented on this report.

Manpower Demonstration Research Corporation: telephoned the Economic Roundtable to say that they would be unable to attend the December 15 meeting. We were unable to arrange an alternative meeting date.

UCLA School of Public Policy and Social Research: Professors Becerra and Hasenfeld provided valuable information, insight, and advice.

6. You may wish to consider adding the Urban Research Division (URD) of the Los Angeles County Chief Administrative Office (CAO) to the report review process. The report contains extensive Los Angeles County geographic, demographic and economic data as it relates to the GAIN population who entered employment over the period covered by the study. URD has considerable expertise in these areas, access to extensive data resources and is widely recognized within the research community. Their input may enhance your final work product.

Economic Roundtable response:

We appreciate the suggestion that the county's Urban Research Division be included in reviewing this report. This group provided valuable data conversion assistance at the outset of this project and we have had subsequent meetings to discuss our respective activities. Our confidentiality agreements with DPSS and EDD specified that these two organizations would have the opportunity to review our draft report before it was shown to other organizations. This process has been completed, and we believe the potential benefits from further reviews do not outweigh the benefits from making information in this report available to the Board of Supervisors and the public.

DETAILED COMMENTS AND RECOMMENDATIONS ON FIRST THREE CHAPTERS OF ECONOMIC ROUNDTABLE DRAFT REPORT LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES APRIL 1, 1999, AND ECONOMIC ROUNDTABLE RESPONSES

REPORT PAGE CITATION	AREA OF CONCERN IN ECONOMIC ROUNDTABLE REPORT	LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS/RECOMMENDATIONS
Page 9, Paragraph 1	"Working-age adults have to survive on what they can earn."	We recommend rewording this sentence to read "**Most adults** have to...," (not all adults live off earnings - some are rich, some are in jail, etc. Also, how does a "working-age adult" differ from an adult?)
Economic Roundtable response: We appreciate the suggestion that the qualifier "most" be added to the opening sentence of the first chapter. This has been done. The term "working-age" generally refers to the age range of 16 to 65 years. Some adults are retired and beyond the age range in which individuals typically work.		
Page 9, Paragraph 1	"The new five-year, lifetime limit on welfare for adults means that single parents with young children and limited skills must either find and keep a job or survive without an income."	This statement could be misleading, since in California, only the adults become ineligible after five years and not the minor children. Basically, in this situation, the family would need to survive on **reduced** income versus no income.
Economic Roundtable response: We have incorporated this suggestion and added the qualifier "diminished" in the final report, although technically the parent we are describing would have no income of her own and would be surviving by using part of her children's income.		
Page 9, Paragraph 1	"Even before welfare reform, a majority of aid recipients worked and were part of the low-wage workforce."	What data can Economic Roundtable cite to substantiate that before ***welfare reform a majority of aid recipients worked?***
Economic Roundtable response: We have added a footnote to the final report citing our analysis of 1990 U.S. Census Public Use Microdata Sample for Los Angeles County which showed that 76 percent of individuals receiving public assistance in Los Angeles County in 1989 had work histories.		
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It is important to distinguish between a snapshot of the welfare caseload at a given point in time, which will show many chronic recipients, and a longitudinal portrait of the total population of individuals who have received welfare at some point in a one- or two-year period, which will show that a majority receive welfare for only a relatively short period of time and are part of the working poor. We are referring to the total population of assisted individuals when we say that a majority is part of the low-wage workforce.		
Page 9: Paragraph 3	"There are more people below the poverty level in Los Angeles County than in any other county in the nation, and in all but four states (California, Texas, New York and Florida)."	Since Los Angeles County's population is larger than that of any other county and most states, it is not surprising that the number below the poverty level is also greater. We suggest that Economic Roundtable look at the percent of total population below the poverty level in making this comparison.
Economic Roundtable response: Estimates of Poverty by County in 1995 that were released by the Census Bureau this year show that 22.7 percent of Los Angeles County residents were in poverty compared to 13.8 of the total population of the United States. Poverty is a serious problem for Los Angeles County *both* because of the large population in the county and the above-average rate of poverty within that population.		
Page 9: Paragraph 3	"Half of all local families with incomes below the poverty level include one or more adults who are currently working at least part time, and three-quarters include one or more adults with a work history."	Since this statement is based on ten year old data from the 1990 Census; it is at best questionable whether this is true today.
Economic Roundtable response: It is true that data from the 1990 Census is now ten years old, but often we must make choices between finding data that is specific to a geographic area and data that is recent. While the demography and labor market of Los Angeles County have changed since 1990, there is enough continuity in this data to make it useful until it is replaced by more recent information.		
Page 11: Paragraph 2	"These combined data files provide over 930 fields of information for each GAIN worker."	We recommend using a different descriptive term than "GAIN worker" or "welfare worker" when referencing employed wel-
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		fare parents. These terms are commonly applied to welfare department employees (e.g., case worker, GAIN worker).

Economic Roundtable response: Use of the terms "GAIN worker" and "welfare worker" is discussed in response to general comment number 4 above.		
Page 12: Paragraph 1	"Rather, they represent the successes of a work in progress known as welfare reform."	All the data used for this study was from a period prior to the April 1, 1998 implementation of the CalWORKs Welfare-to-Work program in Los Angeles; therefore, it is misleading to say the participants studied represent the successes of a work in progress known as welfare reform.
Economic Roundtable response: We are suggesting that the GAIN program be assessed based on the outcomes it has produced. This is the same basis on which the Department of Public Social Services offers the following assessment: "L.A. GAIN is Los Angeles County's highly successful welfare-to-work program . . . . Between July 1994 and June 1997 137,957 L.A. GAIN welfare parents found jobs, positively impacting their lives and those of their children." (from DPSS web site: http://dpss.co.la.ca.us/gain/main.html)		
Page 12: Paragraph 3	"As a consequence of these shifts in program emphasis, the population of welfare workers represented in our data is reasonably representative of the total population of welfare recipients who are able to find employment without intensive program intervention."	This sentence is confusing. Does it mean that, overall, the study sample mirrors in characteristics those AFDC recipients in the non-study sample who were able to get jobs? If so, how could the Roundtable conclude this if they did not evaluate non-sample data.
Economic Roundtable response: The issue of who is represented by the GAIN data analyzed in this report is discussed more extensively in the Appendix. The background to this issue is that the Economic Roundtable requested the records of all GAIN participants from 1990 through 1997, and DPSS agreed to this request.		
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However the only records that were provided and could be provided were of participants who were reported to have obtained jobs. This raises the issue of the extent to which our findings about the most successful half of the GAIN are applicable to the total population of welfare parents who are now required to seek work. In order to benchmark the 99,469 unduplicated GAIN records against the total GAIN caseload as well as the total welfare caseload, we compared a range of characteristics from the records we had been provided with a profile of a 1996 sample of GAIN participants constructed by MDRC as well as records from 1990 Census data representing the total welfare caseload. The conclusion we reached is that the data we have analyzed is generally representative of the total population of welfare recipients who are able to find employment without intensive program intervention.		
Page 12: Paragraph 4	"Now that welfare recipients are by law part of the workforce, it is very important that we understand the footholds they are finding in our collective economic life."	We believe it is inaccurate to state that "...welfare recipients are by law part of the workforce..." CalWORKs law recognizes that some recipients may be unable to, or incapable of, work. Such recipients can be exempted from program work activity requirements.
Economic Roundtable response: We appreciate the observation that not all welfare recipients are required to work and have added the qualifier "most" to this sentence.		
Page 12: Paragraph 5	"...study used produce information for job training and economic development initiatives."	It appears that a word is omitted in this sentence. We suggest amending the sentence to read "...study used ***to*** produce information..."
Economic Roundtable response: We appreciate having the typo identified.		
Page 13: Paragraph 1	"Earnings of nearly 100,000 welfare workers over eight years show that Los Angeles County's welfare-to-work program (GAIN) has had a significant effect on employment rates among workers."	We suggest changing last word of sentence from "workers" to "welfare parents". Also since the data used for this study is pre-welfare-to-work how can the study draw any conclusions about the Los Angeles County Welfare-to Work program? The pre-Welfare-to-Work program (i.e., GAIN program) was
REPORT PAGE CITATION	**AREA OF CONCERN IN ECONOMIC ROUNDTABLE REPORT**	**LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS/RECOMMENDATIONS**
		different from the current program, which is much expanded in scope.

Economic Roundtable response: We appreciate the suggestion that the term "welfare parents" be substituted for the word "worker" and have made this change. As discussed earlier, it is our understanding that the scope of the GAIN program has expanded but the program model is substantially the same. The best way to understand the impact of an employment program is to look at its long-term outcomes. To do this we need to look at what has happened to welfare recipients who, earlier in this decade, participated in GAIN activities that were very much like those occurring today. This is what we have attempted to do.		
Page 13 Paragraph 3	"...found this approach had been successful in other counties."	We recommend changing "other counties" at end of sentence to "Riverside County".
Economic Roundtable response: We appreciate the suggestion that reference be made specifically to Riverside County and have made this change.		
Page 13 Paragraph 3	"However, the definition of "success" that led to adoption of the work-first model (reduction in welfare payments) is very different from the standard for success under welfare reform, which is achievement of long-term economic self-sufficiency by most recipients. The work-first model was judged successful because it had lower costs than training programs as the earnings of welfare job seekers led to reduction (or in a small percent of cases, discontinuance) of welfare benefits."	It is inaccurate to specify that the work-first measure of success that caused L.A. County to adopt the work-first model was a reduction of welfare payments or benefits. The over-riding criterion for adopting the work-first model was its relative effectiveness in moving welfare parents into jobs. (Reference, Changing to a Work First Strategy, MDRC 1997 - pages 17 through 21.)
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Economic Roundtable response:
We accept the statement that Los Angeles County did not adopt the work-first model to achieve cost savings and have modified our statement to remove the reference to the county's reason for this change.

It seems clear, however, that MDRC's findings that the work-first model was successful were based on an analysis of cost savings. An MDRC report from 1994 entitled, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program*, states: "Over a three-year period, Riverside increased the experimental group's earnings by an average of $3,113, a 49 percent gain over the control group average. It reduced welfare payments by $1,983, a 15 percent reduction compared to the control group. . . . [This] resulted in government budgets coming out ahead" (p. xxii). The 1997 MDRC report on Los Angeles County's GAIN program cited in DPSS' comments includes a cost savings analysis indicating that the county achieved a 5.4 percent reduction in welfare payments to GAIN participants.

We agree that the work-first model is relatively effective in moving welfare parents into jobs. The issue we raise is the low earnings provided by many of those jobs and the failure of most GAIN workers to become financially self-sufficient.

Page 15: Paragraph 1	"An important finding is that 86 percent of workers had post-GAIN employment but frequently in jobs that did not provide long-term stability."	We suggest clarification of the first clause of this sentence. For example, what is meant by "post-GAIN" (i.e., After starting GAIN? After exiting GAIN?) The sentence appears to mean, considering footnote # 18, that of the sample of 100% employed recipients provided to Roundtable by DPSS, 86% were considered employed per EDD.

Economic Roundtable response:
By "post-GAIN employment" we are referring to jobs individuals held beginning with and following the first employment date shown in GAIN records provided to us by DPSS. EDD records show earnings data for 92 percent of GAIN participants, but in some instances all earnings were for the period prior to the reported date of the first GAIN job. The interpretation of our statement in the comment by DPSS is correct. EDD records show post-GAIN earnings for 86 percent of the GAIN participants in our files.

REPORT PAGE CITATION	AREA OF CONCERN IN ECONOMIC ROUNDTABLE REPORT	LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS/RECOMMENDATIONS
Page 15: Paragraph 1	"The 30-percentage point gap between the average post-GAIN employment level and the number that have been employed at some point after GAIN is the penalty exacted by transient	It appears that this gap would also be partly attributable to participants moving out of California. To the extent that this is the case, it should be noted. In addition, again what is the difference between "post-GAIN" and "after GAIN?"

	jobs."	
Economic Roundtable response: The address records in our files indicate that in 1997, well under 1 percent of GAIN job finders from 1990 through 1997 lived outside of California. We do not have any evidence that relocation of participants out of the state is a significant factor in explaining why earnings do not appear in EDD records. There is no difference in our use of the terms "post-GAIN" and "after GAIN."		
Page 16: Paragraph 1	"...we see a jump in their average annual earnings from $1,432 in the year preceding GAIN (their year of lowest earnings) to $7,960 in 1997 (both in constant 1997 dollars). This is a dramatic increase of 456 percent in average earnings following GAIN, but the significance of it is moderated by two factors. First, the base year for the comparison is the year of lowest earnings, the year preceding GAIN. And, second, because these figures are for average earnings of the total population they rise as more workers in each cohort have earnings."	This paragraph says the significance of the 456% jump in average earnings is moderated by two factors. Regarding factor #1, the Roundtable is evaluating the effectiveness of GAIN and therefore, it is appropriate to compare pre-GAIN earnings with post-GAIN earnings. Concerning factor #2, clarification is needed. Were the 1997 earnings of individuals getting jobs in 1993/94 divided by 99,469 (the number of 1990-1997 records provided by DPSS to the Roundtable)? Were earnings of non-1993/94 cohorts considered? *By definition, this sample includes only GAIN participants who are recorded as having secured employment. Therefore, the fact that earnings have risen as more workers have earnings is inherent to the sample, and therefore does not moderate the significance of this increase.*
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Economic Roundtable response:
While it is true that pre- and post-GAIN earnings are being compared, and therefore the period immediately prior to participation in GAIN has relevance, a comparison that incorporates a participant's earnings prior to becoming unemployed and entering welfare status provides a more realistic comparison of the participants' earning capacity when employed.

In the analysis of these data, it is a complex problem to distinguish among the relative effects on long-term earnings caused by temporary crises such as a family illness, temporary unemployment, the loss of an adult in the household, employment-related characteristics such as education and work experience, and the wide swings in the available jobs in Los Angeles County during the 1990s. Within this context, it is important to examine a participant's work history over as long a time period as possible, and to examine those earnings considering both the state of the local job market and the job qualifications of each participant. We have attempted to do both in this report.

When we compare post-GAIN earnings to pre-GAIN earnings, we see little evidence that the highest post-GAIN earnings of employed workers are higher than the highest pre-GAIN earnings of employed workers. This can be seen by looking at the eight years of earnings information for each annual cohort that is shown in Table 2-3 in the Appendix.

The aggregate 1997 earnings of individuals who got their first GAIN jobs in 1993 and 1994 were divided by 17,935, which is the total number of GAIN workers in those two annual cohorts. The employment rate among these individuals was much higher in 1997 than it was in the years before their first GAIN jobs (1992 and 1993, respectively). This is an important accomplishment. While most of these individuals had work histories, but they were histories of sporadic employment both before and after GAIN (though notably less sporadic after GAIN). This increase in the number of workers with earnings results in increased aggregate earnings, which in turn results in increased average earnings for the total population.

Page 16 Paragraph 2	"By 1997, their employment rate had more than doubled--with 71 percent showing earnings that averaged $11,192 among those who worked."	It is unclear what the percentage of "71%" is referencing: 71% of what?

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Economic Roundtable response:
We appreciate the suggestion to clarify the relationship between the clauses in this sentence. Seventy-one percent refers to the percent of the 1993 and 1994 cohorts who had earnings in 1997.

Page 17: Paragraph 1	"It does not present a balanced picture to compare earnings after GAIN to earnings in the preceding year (as we have just done), because that was the low point in earnings for most GAIN workers. When we look at the eight years of earnings history for the entire population of GAIN workers we see that their highest earnings (in constant 1997 dollars) were in the beginning of 1990 when over 99 percent of these workers had not yet entered GAIN."	This paragraph needs clarification, as it seems to present contradictory information. It first notes that the low point in earnings for most GAIN workers was in their year preceding GAIN. Then it says that highest earnings were in 1990, before "workers" entered GAIN. Undoubtedly, in 1990, a certain number of the employees tabulated in the report were not only "not in GAIN", but were not yet even receiving welfare. Pre-welfare jobs could have made the family self-sufficient, For as the report points out on page 106 of the Appendix, "Of course, most participants had held jobs prior to entering GAIN, and frequently it was the loss of those jobs that led to welfare".
Economic Roundtable response: The footnote on this page provides clarification. Over half of the participants in our sample obtained their first GAIN jobs in 1996 or 1997. This means that their lowest earnings were in 1995 and 1996, respectively. In 1990 many of these individuals were still early in their descent into poverty and had comparatively high earnings. This factor may tend to make pre-GAIN earnings in 1990 appear artificially high in relationship to post-GAIN earnings in 1990. This is one of the reasons why it is important to control for the different factors affecting earnings in order to make valid comparisons of pre-GAIN and post-GAIN earnings.		
Page 17: Paragraph 2 Figure 4	"Between the first quarter of 1990 and the third quarter of 1995, average monthly earnings of those who worked decreased by 29 percent. Gradual quarterly increases in earnings began in	Other economic factors were in play during the same. There was a sharp increase in the number of persons aided from the beginning of 1990 through 1995. This was followed by an equally sharp decline in the number of CalWORKs
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	1997, with a large increase at the end of that year. By the first quarter of 1998, when this entire population of workers had gone through GAIN, the earnings of those who worked were $36 less a month (in 1997 dollars) than they had been eight years earlier. These findings indicate that the primary impact of GAIN has been increasing the employment rate of workers, rather than their earnings."	persons aided through 1998. During this same period, the Los Angeles County unemployment rate rose from 5.9% in January 1990 to a high of 11.2% in February 1993. The rate then gradually dropped by 6.1% by the end of 1998. This trend is reflected in the attached CalWORKs (AFDC) FG/U Persons Aided graphs (Attachment I, II); and the Monthly Rate of Unemployment for Los Angeles graphs (Attachment III). These factors and the employment environment associated with them could have had a significant impact on the level of monthly earnings during this period.
Economic Roundtable response: We agree with the comment that for much of this decade adverse labor market conditions have depressed the earnings of GAIN workers when they found jobs.		
Page 17: Paragraph 2		Sentence 2 of this paragraph is misleading. We interpret it to mean that those working in 1998 were averaging $36 less a month than those working in 1990. The deduction suggested in the final sentence, that GAIN did not have a positive impact on earnings, is unsupported. For instance, the earnings of the (relatively few) individuals who were employed in 1990 (before GAIN) may well have been over their 1990 levels in 1998, but Economic Roundtable does not report on this. Instead, these salaries were averaged with those of other 1998 GAIN participants, many of whom had never worked before in their lives before GAIN. Also, given the lack of prior work experience of many GAIN job landers, it does not seem surprising that the overall 1998 average earn-
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		ngs figure was slightly less than that of the small number of pre-GAIN individuals who did have employment in 1990.
Economic Roundtable response: We are doubtful about the hypothesis that the lower earnings of first-time workers had a significant impact in pulling down the average post-GAIN earnings of those with jobs. For example, among the 6,304 individuals shown in GAIN records to have gotten their first GAIN job in the fourth quarter of 1997, only 1,358 (22 percent) do not show up in EDD records as having had earnings between the first quarter of 1990 and the third quarter of 1997. Among those without prior earnings, 504 (8 percent) had no earnings recorded by EDD in the fourth quarter of 1997 or the first quarter of 1998. This means that of these 6,304 individuals, only 854 (14 percent) might be first-time workers after going through GAIN. Furthermore, since first-time workers are probably below average in age, and younger workers tend to have higher earnings than older workers (see Chapter 5), it is not apparent that these first-time workers would lower the overall average earnings of employed workers. The yearly earnings of each annual cohort are shown in Table 2-3 in the Appendix.		
Page 18: Paragraph 2	"The flow of significant numbers of additional workers into low-wage occupations that has been stimulated by GAIN may have created a surplus of workers, leading to reduced wages and hours of work."	This paragraph notes that Figure 5 supports the "possibility" that an increasing number of GAIN participants getting low-wage jobs "may have created a surplus of workers, leading to reduced wages and hours of work". However, a shortage of available jobs was never an issue for L.A. GAIN. It is more likely, therefore, that Figure 5 illustrates the work experience and education characteristics of the AFDC population. For instance, during the first part of the decade, GAIN targeted long-term AFDC recipients. A characteristic of long-term recipients is a relatively poor employment and education history. It is, therefore, reasonable that for the early 1990-1992 years, the long-term weighted "Workers who have been through GAIN" salaries
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		would be less than those of the short-term weighted "Workers not yet through GAIN". The latter group would generally have had a better employment/education history. In the latter part of the decade, GAIN targeted volunteers over long-termers. This claim would be more meaningful if the number of additional workers in low-wage occupations "stimulated by GAIN" was placed in the context of the total number of workers in low-wage occupations in Los Angeles County.

Economic Roundtable response:
As we have stated above, it is difficult with the available data to separate the various influences on the employment and earnings experiences of GAIN participants both prior to or after GAIN participation. However, the longer-term data strongly indicate a major influence over these experiences is exerted by the number of jobs being created in the local economy relative to the number of job seekers. (DPSS' comments made above regarding page 17, paragraph 2 seem to indicate agreement with this assumption.)

Our discussion in Chapter 3 demonstrates the close relationship between the performance of the local economy in terms of job creation and the number of GAIN participants working. A broader study on this issue conducted by the Economic Roundtable (see *By The Sweat of Their Brow*) also demonstrated a significant predictable relationship between the historical change in the overall number of jobs and a corresponding subsequent change in the number of persons receiving welfare benefits. Moreover, our report, *Survival Skills,* presented data indicating that there may be as many as five unemployed and discouraged workers available for each new low-wage job opening in the county.

Although it may have been true that "a shortage of jobs was never an issue for L.A. GAIN", the work experience of those who participated in GAIN (starting with their first job obtained through GAIN) demonstrates that the work was sporadic. Earnings data for post-GAIN employment also support this, as do data on the average number of quarters worked per year by GAIN participants.

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The table presented below shows the average number of quarters worked per year by GAIN participants. (Note that the total number of participants with earnings, by quarter, generally followed the path of overall job growth during the 1990-97 period.) The average number of quarters with earnings for all participants (regardless of when they entered GAIN) only rose above 3 in one year–1997–when the average was 3.1. The data on the right side of the table represents only quarters of employment beginning with the first job entered after starting GAIN.

It should be stated that the average number of quarters worked might be slightly underestimated since some quarters will usually be lost in the year of the first GAIN job. On the other hand, our quarterly earnings data do not permit us to pinpoint quarters in which GAIN workers worked but had less than three months of employment. The average quarterly earnings data overwhelmingly suggest that the average number of weeks worked per quarter was relatively low. Therefore, while one could point to the fact that most GAIN participants found jobs as evidence that a lack of jobs was never a problem, the earnings data show that only a small share of those who found employment worked full time on a regular basis and had a sustainable source of earnings.

Calculation of Average Number of Quarters Worked per Year by GAIN Participants

	All quarters		After first GAIN job	
Yr.	GAIN participants	Average qtrs. with earnings	GAIN participants	Average qtrs. with earnings
90	41,011	2.81	1,397	2.02
91	37,695	2.77	3,597	2.63
92	35,102	2.71	4,834	2.84
93	35,376	2.68	7,413	2.77
94	43,009	2.67	17,777	2.54
95	50,903	2.80	29,847	2.75
96	68,064	2.92	48,214	2.80
97	69,951	3.12	69,284	2.96

It should be noted that it is not accurate to say that Figure 5 illustrates the work experience and education characteristics of the AFDC population. A profile of the average years of education of each quarterly cohort is shown in Figure 64 and it does not match the profile shown in Figure 5. The impact of the large 1996 and 1997 cohorts on the earnings data (discussed above in response to comments on page 17, paragraph 1) is a more significant factor affecting the comparison of pre-GAIN and post-GAIN earnings.

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Page 18: Paragraph 2	"This possibility is supported by the generally unfavorable comparison between pre- and post-GAIN earnings shown in	This sentence is seriously flawed. Its characterization of the three Figures (4, 5, and 6) is not clearly tied to the figures themselves. Secondly, the linkage

	Figure 5, the loss in monthly earnings of employed workers through most of the 1990's that is shown in Figure 4, and the decline in economic standing of GAIN workers compared to the total Los Angeles work force that is shown in Figure 6."	between these figures and the preceding sentence is not at all clear.
Economic Roundtable response: Information in Figures 4, 5 and 6 indicates that most GAIN workers were unable to earn a sustaining income, and that most workers with jobs did not have higher earnings after GAIN than they did before GAIN (see footnote 19). We think this supports the conclusion we offer that the difficulty most GAIN workers had in earning a sustaining income was partly (although not entirely) the result of insufficient demand in the labor market for these workers.		
Page 18 Paragraph 3 (italics)	"...but together they suggest that GAIN did not increase the average earnings of employed workers when compared to their previous highest earnings."	Again, the deduction in this sentence which suggests that GAIN did not have a positive impact on earnings is unsupported. For instance, the earnings of the (relatively few) individuals who were employed in 1990 (before GAIN) may well have been over their 1990 levels in 1998, but Economic Roundtable does not report on this.
Economic Roundtable response: Information that allows a comparison of earnings before GAIN with those after GAIN for each annual cohort is provided in Table 2-3 in the Appendix.		
Page 18 Figure 5	"Average Earnings of those Who Worked - Pre-GAIN vs Post GAIN"	It is not immediately evident from this chart that the same participants are counted on both lines.
Economic Roundtable response: Yes, one line counts them in quarters before their first GAIN job and the other after.		
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Page 19: Figure 6	"Average Annual Earnings 1990-1997 - Welfare Workers vs All Jobs in L. A."	Most of the CalWORKs/GAIN participants have had limited job experience and most of this prior experience was in lower paying jobs. Comparing their average earnings to the average earnings for all jobs, which include the significant earnings of the middle and upper class, may lead to erroneous conclusions. Also, the proportion of lower-paid women and foreign-born individuals in the GAIN-employed population would be far higher than in the all jobs population.

Economic Roundtable response:
We agree that the population of adults in families receiving public assistance has more barriers to obtaining stable employment at a livable wage than does the overall population.

Under conditions where there is not a sufficient number of jobs for all those who need and want them, those with a low level of education, limited English language ability, lack of recent job experience, child-care obligations, undependable transportation, or physical or emotional problems are the least likely to be hired. Given the level of employment and unemployment and the size of the working-age population, there will be a predictable number of persons who will not be able to find a steady job, and these will usually be those who have the most barriers to employment. In the short term, modifying any of their barriers to employment cannot increase the number of available jobs (or at least those jobs through which a family can survive independently). To demonstrate this predicament we compare the low earnings of this group of workers to the overall averages of all workers. While the efforts of the GAIN program are expected to ultimately result in the reduction of the number of families that need public assistance to survive, it is clear that the best efforts of GAIN cannot undue a situation that a depressed and slow-growing economy has created.

Page 19: Figure 6	"Average earnings of GAIN workers with jobs (constant 1997 $ above; current year $ beneath)".	The notation says that the current year is "beneath"; however, it is unclear which line is beneath.

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Economic Roundtable response: We appreciate having the formatting issue in Figure 6 flagged. The bottom line in each pair (the thicker line) shows earnings in current year dollars, and the top line in each pair (the thinner line) shows earnings in constant 1997 dollars.		
Page 19: Paragraph 1	"Between 1990 and 1997, annual earnings of the county's GAIN workforce lost ground compared to the average worker in the region, despite having gone through GAIN."	In this sentence, by saying "the county's GAIN workforce lost ground...", is unsupported, and possibly incorrect. This is because (per the second paragraph on this page) the figure's "Average earnings of GAIN workers with jobs" includes salaries of pre-GAIN individuals.
Economic Roundtable response: We believe that information indicating that the county's GAIN workforce has lost ground in comparison to the total county workforce is accurately shown in Figure 6. In 1990, when very few of these individuals had gone through GAIN, earnings of those with jobs were higher both in constant dollars and in comparison to average earnings in the county than they were in 1997 after all of these workers were reported to have obtained their first GAIN job. Figure 16 offers a comparison of the highest pre-GAIN earnings to overall post-GAIN earnings in the context of earnings trends in the total labor market. An important accomplishment of GAIN has been to increase the percent of welfare parents who have earnings, but it does not appear to have raised the high water mark of their earnings.		
Page 19: Paragraph 2 (Italics)	"Figure 14 shows the average...Also shown in Figure 14 is the average amount paid for all jobs in Los Angeles County during this same period."	This paragraph refers to Figures 13 and 14; however, it is unclear where those Figures appear.
Economic Roundtable response: We appreciate having the inaccurate references to figure numbers flagged. The references are to Figures 5 and 6, and have been corrected in the final report.		
Page 20: Paragraph 1 & 2 (Italics)	"Total Earnings of All GAIN Workers" "Figure 15 shows cumulative	Use of this method of looking at the data would tend to distort the findings. The total number of persons assigned to GAIN increased significantly from 1990 to 1997.
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	earnings (in 1997 dollars) of eight annual cohorts of similar workers. Workers in each cohort got their first GAIN job in the same year. Each segment in the eight bars represents average earnings during one year. Together, the segments show eight years of earnings (from 1990 to 1997) for each cohort. For workers whose first GAIN job was in 1990, this represents the placement year followed by seven post-GAIN years. For workers having their first GAIN job in 1997, this represents seven pre-GAIN years followed by the placement year."	During this same period, the County's unemployment rate rose from a low of 4.6% in June 1990 and hovered close to 10.0% from mid-1992 through the first-half of 1994. The unemployment rate then dropped gradually to 5.8% by the end of 1997. Comparing the average earnings of all GAIN participants from the early 1990's, when the number of participants was low and jobs were more plentiful, to the average earnings of all GAIN participants in later years, when the number of participants was higher and the availability of jobs was lower, could lead to misleading findings.

Economic Roundtable response:
This reference is to what is now Figure 7. It shows a large amount of information but provides insight into earnings patterns of all eight annual cohorts. The most significant factor making cumulative earnings of earlier cohorts higher than those of later cohorts is that the earlier cohorts had more years of post-GAIN earnings. GAIN had the effect of doubling the percent of workers with earnings, producing higher aggregate earnings, and thereby higher average earnings for all GAIN participants.

We agree with the comment that labor market conditions have affected the earnings of the annual cohorts of GAIN workers shown in Figure 7.

Page 20: Paragraph 1 & 2 (Italics)		This section leads into the italic description of Figure 7 (15). However, it is unclear as to exactly what Figure 7 represents. This paragraph talks of "looking at collective earnings averaged over everyone". But see next comment.

Economic Roundtable response:
We appreciate having the inaccurate reference to the figure number flagged. This has been corrected in the final report.

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Page 20: Paragraph		Figure identification numbers are incorrect in the text. Also Figure 7 (15) is

1 & 2 (Italics)		described as showing the cumulative earnings of "similar workers". This is misleading as the last two sentences of this paragraph indicate that each ascending yearly cohort essentially represents one less year of cumulative employment. These sentences also suggest, unlike the prior paragraph 20/1, that none of the yearly cohorts are averaged with any other or with all others.
Economic Roundtable response: Figure 7 shows average annual earnings of eight annual cohorts of welfare parents with similar characteristics (they are all women with twelve years of education who were between the ages of 24 and 33 in 1990). Total earnings of each cohort were averaged over everyone in each cohort. As discussed in our response above, trends of increasing or decreasing earnings for each cohort are affected by when members of the cohort obtained their first GAIN job. Detailed information about annual earnings of each cohort is provided in Table 7 in the Appendix.		
Page 21: Paragraph 2	"Workers who got their first GAIN job between 1990 and 1993 are from this educational phase."	The "common attributes" statement in the fourth sentence is incorrect. The majority of GAIN participants have less than 12 years of education. Also, having a criterion for inclusion in the "similar women group" of age = from 24 to 33 in the year 1990, ensures that the Figure on this page titled "1997 Earnings" generally looks at progressively older women. (The youngest "similar women" individual could be in 1997 is 31.) Therefore, the suggestion that the figure looks "at outcomes of similar participants in each annual cohort" is misleading.
Economic Roundtable response: We believe our statement that the population shown in Figure 7 represents the most common attributes of GAIN participants in our files is accurate: (1) roughly 80 percent of GAIN participants are women; (2) GAIN participants have varying levels of education,		
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some have no schooling, others have college degrees -- 12 years of schooling is the most widely shared level of education; and (3) all of the women were between 24 and 33 years of age in 1990, and between 31 and 40 years of age in 1997 -- this captures the middle group of GAIN participants in terms of age and means that those being compared tended to have similar characteristics in terms of the age of their children, years of work experience and development of personal maturity.

Page 21 Paragraph 3	"A reappraisal of the basic education phase of GAIN is suggested by this data. Based on its evaluation, MDRC concluded that this phase "had no measured effect on the average earnings of AFDC single-parent recipients enrolled in the program". However, the workers with the highest average earnings in 1997 measured either by average earnings of the entire cohort or earnings of those working in the year are from the basic education phase of GAIN."	This paragraph contains the most significant shortcomings in this draft report. First, the MDRC report was based on the impacts of GAIN before the work first model was adopted with respect to all participants. This study looks at the overall impact of education and the specific impact of GAIN education and training activity on GAIN participants who secured employment. This paragraph draws conclusions about the impact of the program as a whole, based on the impact of the program on the subset of participants who secured employment. This conflation is unjustified. In fact, there is no contradiction between the MDRC conclusion that, as a whole, the basic education phase of GAIN did not produce significant results and the findings of this report that, among the GAIN participants who secured employment, education had a significant positive effect.

Economic Roundtable response:

This comment is correct in pointing out that our analysis does not take into account the GAIN participants who did not find jobs and whose records were not provided to the Economic Roundtable. If the basic education phase of GAIN had a disproportionately high number of participants who did not subsequently find employment this would raise questions about our conclusion regarding the comparatively better results produced by this phase. We requested an unduplicated count of the number of individuals who entered GAIN in each quarter from 1990 to

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1997 in order to evaluate this issue but were told that DPSS was unable to produce this information. In light of the available information, we believe our conclusion is sound.

The two most basic questions addressed by this report are: What were the long-term earnings of GAIN workers? And, how can those earnings be increased? These Questions are approached in a variety of ways and the answers that emerge again and again are that most participants are failing to become economically self-sufficient, and that the most significant factor supporting higher earnings is higher levels of education and training. The movement of GAIN away from a basic education approach to the work-first model represented a movement away from focusing on education and training in favor of emphasis on immediate employment. We believe that while this change may have produced improved near-term results in terms of higher employment rates, it has also produced inadequate long-term results in terms of increased earnings. It is our recommendation that the premises and findings leading to this change should be re-examined.

The comment seems to suggest that MDRC has found that the work-first model produces better employment outcomes than an education and training model. After having reviewed reports from MDRC it is our understanding that their favorable findings about the work-first model are based on analyzing how welfare-to-work programs can achieve the greatest impacts given limited resources and a large number of aid recipients. This is a different frame of reference than trying to determine what program design will be most effective in helping welfare parents become economically self-sufficient. This distinction is important because Los Angeles County currently has significant unused resources that could be used to provide more education and training for aid recipients (see Chapter 6).

One report by MDRC states: "*Job search and other low-cost services are not expected to increase earning power, so even when participants find jobs they may mostly be low-paying, without opportunity for future growth and the kind of on-the-job skill investment that promotes retention. For a training program to get a family out of poverty through the earnings of the enrollee, it must lead to full-time jobs that pay far better than the minimum wage, and the jobs must be stable and long-lasting. Investment in education and training is generally expected to have greater effect than lower-cost services on wages, hours, and employment stability.*" (Daniel Friedlander and Judith M. Gueron, *Are High-Cost Services More Effective Than Low-Cost Services? Evidence from Experimental Evaluations of Welfare-to-Work programs*, Manpower Demonstration Research Corporation, New York, 1990, p.41.)

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Page 21 Paragraph		Secondly, it is not surprising that persons from the basic education phase of GAIN

3		who probably entered the employment field in the early 1990's would have higher average earnings in 1997 than those who entered GAIN later. The Economic Roundtable does not indicate whether such "education phase" employees actually completed any GAIN education/training courses prior to their employment.
Economic Roundtable response: A comparison of GAIN participants who received education and training to those who received none is provided in Figures 11 and 12. Those receiving education and training had superior earnings outcomes and rates of earnings growth compared to those who did not receive education and training.		
Page 21 Paragraph 3		Further, by 1997, persons employed in 1990 would have had much more experience than persons subsequently employed. Therefore, it is reasonable that earlier cohorts would make more in 1997 than later cohorts, irrespective of GAIN's focus at their time of first employment. This same problem is repeated on page 24 in summary finding number four. In addition, the small unnumbered chart adjacent to this paragraph is not clear.
Economic Roundtable response: The box at the bottom of the page provides an annual breakout of the percent change in earnings of each annual cohort of similar women compared to the year prior to their first GAIN job. This makes it possible to compare annual increases in earnings rather than simply comparing earnings in 1997 when, as pointed out in the comment, workers from the first phase of GAIN had had more time to achieve increased earnings than those in latter phases. As we note in our discussion, this comparison of annual increases in earnings tends to reflect favorably on the first phase of GAIN.		
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Page 21: Paragraph 4	"We do not have pre-GAIN earnings for workers who got their first GAIN job in 1990, but the 1991 to 1993..."	Clarification is needed. Is the year of the first GAIN job also the participant's first year in GAIN? For instance, how could earnings increase success of a participant finding work two or three months after

		coming into GAIN be attributed to an education-focused GAIN program (since education activities typically took over a year to complete)?
Economic Roundtable response: The GAIN records provided to the Economic Roundtable by DPSS include participants who were in GAIN before 1990. The variable used to select records that were given to the Economic Roundtable appears to have been the date when participants were reported to have found employment. As we discuss in the report, we have used the date of the first GAIN job (rather than the date they entered GAIN) as the primary frame of reference for grouping participants into annual cohorts because the employment date provides the best demarcation of the point at which the previously downward trend in earnings outcomes should have been (and often was) reversed.		
Pages 22 through 29	"Level of Education and Employment Outcomes" These pages deal with the link between higher levels of education and/or training and higher average earnings.	Although it is obvious that persons with higher level education and /or training will probably have higher average earnings, ***Federal*** work participation regulations place limits on the use of education or training to meet the required participation rate requirements.
Economic Roundtable response: We agree that higher levels of education and training are associated with higher earnings as well as the observation that federal legislation limits the percent of welfare parents who can receive education or vocational training at any one time to 25 percent of the total caseload (this is discussed in Chapter 6). However, to the best of our knowledge, Los Angeles County is well under the cap imposed by federal law in terms of the number of GAIN participants receiving education and training. Furthermore, on-the-job training does not count toward this cap and job-training jurisdictions in the county have a significant amount of unused welfare-to-work job training money.		

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Page 28: Paragraph 3	"...then the family unit will suffer a collective decline in its living standard. And second, we also divided them into five education and English ability groups..."	This sentence uses the term "collective decline in its living standards". If this refers to the living-standard of the family where the parent was not employed and the family was receiving a full cash grant, then the statement is false. In comparison to that situation, to avoid an overall decline in living-standard, the parent's earnings would have to be equal to or greater

		than the adult portion of the grant which would be terminated after the time limit. This figure is far less than the poverty level for one person. Consider this issue in the context of California's earned income disregard of $225 plus 50%.
Economic Roundtable response: Based on DPSS' assessment of the consequences for families in which the parent has reached the five-year time limit and has at least some earnings we have qualified this statement in the final report. We hope that the financial consequences for these families are not harsher than those anticipated by DPSS.		
Page 28 Paragraph 7	"The highest income band also had the highest percent of workers whose level of education is not identified. If GAIN participants level of education was not identified it suggests they had found a job quickly on their own without taking part in activities where this information was collected. This ability to find a job quickly and independently suggests higher levels of skill and education."	(Footnote 22) The fact that no education history exists indicates such persons never completed their first day in GAIN. This does not mean they found a job quickly on their own. An indeterminate number of such persons had been employed for some time and not reporting such to their case workers. When faced with the fact that GAIN's activity demands would jeopardize their jobs, they indicated they had just found employment.
Economic Roundtable response: We appreciate the clarification from DPSS that education information was obtained on the first day that participants were in GAIN. We scanned a sample of records that		
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lacked education information and found scattered, but not pervasive, evidence of employment at the point participants entered GAIN. This population of participants had above-average earnings, indicating a likelihood of higher levels of education and job readiness.		
Page 30	"Employment Levels Among Two-Parent Families" "Roughly one-fifth of TANF households have two parents present. Under TANF provisions, 90 percent of two-	Following the clause, "Roughly one-fifth of TANF households" it would be helpful to add the phrase "in Los Angeles County". The following sentence would be more accurate if it included a reference to the reduction of the two-parent work

	parent families are required to have an adult member participating in work and work-related activities by federal fiscal year 1999".	participation rate which occurs as a result of the caseload reduction credit, since the actual rate is less than 90%.
Economic Roundtable response: We appreciate the suggestions regarding phrasing and have included them in the final report.		
Page 30 (Continued)	"Employment Levels Among Two-Parent Families"	We concur with the conclusion in this section that Los Angeles County will have trouble meeting the two-parent welfare-to-work requirement. However, in this section, the report only considers the GAIN participants who got jobs between 1990 and 1994. Since that time, the Los Angeles County economy has improved which has resulted in greater numbers of one and two parent families having income from employment.
Economic Roundtable response: Figure 15 shows 1997 employment rates among two-parent families in which the worker was reported in GAIN records to have gotten his or her first GAIN job between 1990 and 1994. This is a relatively favorable frame of reference for looking at employment outcomes. There is not any reason to think that employment rates among later cohorts are higher.		
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Page 31	"Earnings and the Poverty Threshold for Families"	This section deals with the ability of workers to lift their families out of poverty through employment. If these families were still below the poverty level after they secured employment, many would still qualify for Food Stamps and some would also qualify for subsidized housing. If the value of these items were to be added to the family earnings, it would decrease the number of families still below the poverty level.

Economic Roundtable response:
The comment by DPSS is accurate in pointing out that our analysis of the percent of GAIN workers who are below the poverty level does not include the value of food stamps or subsidized housing, nor for that matter does it include the value of MediCal, earned income tax credits, or TANF benefits. However, DPSS has defined its mission as providing "effective services to individuals and families in need, which both alleviate hardship and promote personal responsibility and economic independence." To the extent that individuals are below the poverty level they are not economically independent. This does not diminish what has been accomplished by GAIN, but in our opinion it points to a need for program changes (including greater emphasis on education, training and targeted job creation) that enable a higher percent of GAIN participants to achieve economic independence.

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Page 32: Number 3	"Approximately 12 percent of GAIN workers took part in education or training programs. Those who received education or training entered GAIN with a history of lower earnings, but after GAIN had earnings 16 percent higher in the first year and 39 percent higher in the fifth year than those without education or training."	See comments for page 13, paragraph 3. Also, when Economic Roundtable specifies "...those without education or training:, have they included individuals who were educated prior to their entry into GAIN but received no GAIN education and training?"

Economic Roundtable response:
The comparison we made was between those who received education or training while in GAIN and those who did not receive education or training while in GAIN. Most participants had received as least some education or training at some point in their lives prior to GAIN. As we note in the report, those receiving education or training while in GAIN had significantly higher earnings than those receiving none, despite having entered the program with histories of lower earnings.

Page 32: Number 4	"Contrary to earlier findings by MDRC, participants in the first phase of GAIN that emphasized basic education have had significant long-term improvement in earnings. Among comparable participants, those who were enrolled in this first phase have the highest average earnings of any group	See comments for page 21, paragraph 3.

	served by GAIN."	
Economic Roundtable response: Our response above to the comments cited above are applicable to this issue.		
Page 32: Number 7	"Monthly earnings of GAIN workers who had jobs were $36 lower in 1997 than in 1990 (in constant 1997 dollars)."	See comments for page 21, paragraph 3.
Economic Roundtable response: Our response above to comments on Page 19, paragraph 1 are applicable to this issue.		
Page 32: Number 9	"Employment levels among two-parent households are slightly lower than among one-parent households."	This sentence would be clarified if it read as follows: "employment level among two-parent households <u>who had previously secured employment through GAIN</u> are slightly lower than among one-parent households".
Economic Roundtable response: The conclusion about low employment rates among two-parent families applies to all GAIN participants in the annual cohorts we analyzed (DPSS only provided records for GAIN participants who were reported to have found work).		
Page 33: Paragraph 1	"We shift our attention now to the industries that employ welfare workers and the quality	Although this introductory paragraph declares a shift of attention to the industries that employ welfare workers,
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	of jobs they offer...Jobs in the middle providing good wages and benefits are shrinking."	this shift does not occur until page 28. Chapter 3's first pages continue to discuss GAIN participant wages.
Economic Roundtable response: Chapter 3 begins by discussing the relation between the employment and earnings of GAIN participants, on the one hand, and total employment in Los Angeles County, on the other. We then look more closely at the employment experience of GAIN participants by discussing their concentration in specific industries.		
Page 33: Paragraph 3	"The number of GAIN workers who had jobs increased by 126 percent from 1990 to 1997. During this same time, the total number of employed workers in Los Angeles County declined by percent."	"The number of GAIN workers who had jobs..." suggests a cumulative accrual. Does this mean that, for example, an individual who obtained a job in 1994 and still working in 1997 is counted in the 1997 group or is the intent to address the yearly number of GAIN participants finding jobs?

		This paragraph is very confusing, given that the sample group consists exclusively of participants who secured employment through the GAIN program. Given this definition of the sample group, the comparison in this paragraph appears to be irrelevant. In this light, the first paragraph on top of page 26 also does not make sense.

Economic Roundtable response:
In Figure 17 we show the quarterly percent change in employment of the total population of 99,469 GAIN workers, using the first quarter of 1990 as the base point for measuring employment change. We used EDD earnings data to identify the number of participants who had earnings in each quarter. Comparing the growing employment of GAIN participants to employment change in the total Los Angeles labor force highlights the entry of increasing numbers of welfare workers into the regional workforce since 1993.

In the final report we have clarified the explanatory text that accompanies Figure 17. We indicate that this figure shows the change from the first quarter of 1990 in the

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number of GAIN workers in the total population we studied who were employed, compared to the change in the total number of employed workers in the county. There are at least two reasons why this steady growth in employment is an accomplishment even though the population we are studying was selected based on the fact that they reported finding work. First, there were much higher rates of employment growth among this population than in the general workforce, despite adverse labor market conditions. And second, many of these workers have experienced high rates of job turnover, and just because they found jobs at one point does not mean that they would continue to find subsequent replacement jobs.		
Page 34: Paragraph 2	"Increasing numbers of welfare workers have found jobs during this decade, but this population worked for diminishing amounts of pay until the end of 1995."	If this sentence is true, it is not immediately evident from the data. This sentence should at least be referenced to a specific figure or chart.
Economic Roundtable response: Figure 17 shows that increasing numbers of welfare workers found jobs. Figure 18 shows that earnings of those with jobs declined through the third quarter of 1995.		
Page 34: Paragraph 3	"The probable explanation for continued shrinkage in the paychecks of welfare workers after the labor market stabilized is reduction in the number of hours they worked. Because most are at the fringes of the labor market, the rising tide that lifted other ships appears to have taken longer to reach them."	The Economic Roundtable attributes the fall in GAIN earnings in 1993-1996 to an increase in part-time employment for that period. Since Economic Roundtable was provided with work hours-per-week information, it's unclear why the part-time claim was not supported with this documentation. Instead of part-time employment, a more likely cause of the decrease in overall earnings during the cited period was the GAIN program's 1993 change of focus to "jobs first". This changed the weighted composition of those participants working from a relatively small number of more educated and experienced participants, to a very large number of unskilled and relatively uneducated participants (thus bringing the average salary down).

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		Later, the introduction of more volunteers into the GAIN flow, increases in the minimum wage, and a program emphasis on full-time employment would have contributed to a rise of overall earnings.

Economic Roundtable response:
We doubt that the decline in earnings between 1993 and 1996 was caused by the changing composition of GAIN participants from "a relatively small number of more educated and experienced participants, to a very large number of unskilled and relatively uneducated participants." In fact, the educational attainment of persons who went through the GAIN program between 1990-92 is virtually the same as that of persons completing the GAIN program between 1993 and 1997. Of the persons in the 1990-92 cohort for whom educational information was provided, 12 percent had some college experience, 36 percent completed high school (with no college experience), 31 percent had some high school experience, and 22 percent had no high school experience. Of the persons in the much larger 1993-97 cohort, 10 percent had some college experience, 36 percent had completed high school, 32 percent had some high school experience, and 21 percent had no high school experience.

In both cohorts, a majority of GAIN participants had not completed high school, including 52 percent of the smaller 1990-92 cohort, and 54 percent of the 1993-97 cohort. Therefore, the decline in average earnings of GAIN participants between 1993 and 1996 is not explained by a changing educational composition of GAIN cohorts. Reduced work hours are a more logical explanation, since most GAIN workers can be classified as a contingent work force experiencing high turnover rates and working less than full-time hours. This can be supported using EDD wage data. In any quarter, most GAIN participants earned less than did a worker earning the minimum wage and working full-time. This means that most GAIN participants were working part-time, intermittently employed throughout the quarter, or both.

While it is true that DPSS provided data on reported hours of work per week, most records offer point-in-time rather than trend information. This is a problem when analyzing a population with a high rate of job turnover. The most recent DPSS data for each participant shows: 2 percent working 1-9 hours per week, 12 percent 10-19 hours, 14 percent 20-29 hours, 38 percent 30-39 hours, and 34 percent 40 or more hours.

Page 37: Paragraph 1	"Change in each industry's share of the GAIN workforce was calculated by subtracting each	Clarification is needed. Does this population "total GAIN employment in 1990" include individuals from the DPSS-

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	industry's share of total GAIN employment in 1990 from its share in 1997."	provided sample who were working in 1990 but not yet in GAIN - or even, perhaps, not yet receiving welfare? Also, is this, as well as subsequent tables, based on EDD data? If so, Economic Roundtable should note that a significant share of GAIN participant jobs are not represented (since EDD did not have data on all individuals in the DPSS-provided sample).

Economic Roundtable response:
Figure 20 shows the change in percent share of employment of GAIN participants between 1990 and 1997. Since we are interested in the employment history of all GAIN participants before and after entering GAIN, the great majority of persons employed in 1990 did not enter GAIN that year, whereas all people in our sample had completed GAIN by the end of 1997.

Employed GAIN participants not captured by EDD wage data are most likely working in the informal or underground economy. The purpose of this chapter is to understand the industry distribution of GAIN participants; to do this, we need to focus on persons for whom systematic and reliably coded data is available, which is the 86 percent of participants who had employment in firms that are represented by EDD data.

A different research methodology is required to investigate employment in the underground economy, since by definition this activity is concealed from official data sources. One approach to such an investigation would select a representative sample of participants who report employment but do not appear in EDD records, and conduct confidential interviews with them to inquire about their employment situations.

Page 42: Paragraph 2	"Figure 25 shows the ratio of average earnings of GAIN workers in each industry to average earnings of the total labor force in each industry."	In comparing GAIN participant wages to the averages for "the total labor force in each industry", Economic Roundtable presumably used EDD industry/wage data for working GAIN participants, but U.S. Dept. of Commerce data for the industry as a whole (footnote 28, page 33). If true, for purposes of consistency, its questionable why Economic Roundtable did not use EDD data for overall industry wages.
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Economic Roundtable response:
We do not have EDD wage data at the four-digit SIC industry level, so US Department of Commerce data was used instead. Both of these data series are based on quarterly earnings reports prepared by employers.

Page 42: Paragraph 4	"For a given group of workers, an industrial niche can be defined as an industry in which the percent of workers employed is at least 1.5 times greater than the percent of all workers employed in the industry."	This sentence needs clarification. It appears that all workers in the industry equal 100%. How, then, could GAIN participants share (niche) in that industry be at least 12 times 100%?

Economic Roundtable response:
To determine whether an industry was an industrial niche for GAIN participants, we compared the industry's share of employed GAIN participants with the industry's share of all workers. The percent of all workers employed in any one industry is much less than 100 percent, which represents the entire workforce (i.e. workers employed in all industries).

Page 43: Paragraph 4	"The quality of jobs held by the working poor is a key to determining whether the prevalence of poverty in Los Angeles declines or grows".	Clarification for the term "quality" is needed. Can this statement be supported? For instance, wouldn't the onset of a depression impact the prevalence of poverty in Los Angeles, more than the quality of jobs then held by the working poor?

Economic Roundtable response:
Poverty rates in Los Angeles and other regions are affected by the quality of jobs (in terms of wages and benefits), as well as dynamics of labor demand and labor supply. The incidence of poverty in Los Angeles remains very high, despite the economic recovery that began in 1994. As discussed in the Appendix, this is a result of the county's increasingly polarized labor market in which both low-wage and high-wage jobs are expanding. Growing numbers of the working poor are unable to achieve economic self-sufficiency.

Page 44: Paragraph 1	"This indicates that most people who enter the welfare system are on aid for short periods of time and achieve their own exits	This paragraph moves back and forth between people in poverty and people in the welfare system. This movement is confusing. The following sentence also

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	based on increasing their income. To the extent that their earnings remain very low, exits from poverty will occur less rapidly than entries into poverty and the number who are chronically impoverished will increase."	implies that the ability of workers in poverty to become economically self-sufficient depends exclusively on increases in their earnings. In fact, increased child support receipt and/or marriage can also contribute to the same result.
Economic Roundtable response: We agree with the point that there are several ways in which people can obtain enough resources to rise above poverty. Regarding the point that our discussion covers both the working poor and welfare parents: one purpose of this report is to describe and understand the personal characteristics and employment outcomes of the working poor in Los Angeles. At one time or another, many of the working poor (primarily women eligible for AFDC or TANF benefits) have entered the welfare system.		
Page 44: Number 1	"The number of GAIN workers who had jobs increased by 102 percent from 1990 to 1997. During this same time, the number of employed workers in Los Angeles County declined by 5 percent".	As noted above, this point is misleading and apparently irrelevant, given the sample used in this study.
Economic Roundtable response: See our response the comment regarding page 33, paragraph 4.		
Page 44: Number 6	"Most GAIN job holders are low-wage workers in low-wage industries that offer few prospects for upward mobility.	The data does not clearly support the claim that low-wage industries offer few prospects for upward mobility. Although wages in those industries are low, that
	For these workers to achieve self-sufficiency standards most will need skills that will enable them to enter new industries."	does not mean that substantial upward mobility opportunity does not exist. For example, a recent research study regarding the Hospitality Industry found substantial opportunities for upward mobility.
Economic Roundtable response: To fully understand the job mobility of workers requires a longitudinal analysis of employment and earnings of individuals. This was beyond the scope of this report, but we hope to provide this in the future. Our preliminary analysis of earnings data		

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for GAIN participants suggests strongly that volatility in employment and earnings is the rule in the low-wage sectors of the economy in which most GAIN participants are employed. Evidence of upward mobility would be provided by a progression of earnings above poverty level wages over a period of time. Instead, the earnings of most GAIN participants fluctuated below the poverty level. As stated above, this is likely a result of part-time and intermittent employment.		
Page 157: Paragraph 1	"Seventy-eight percent of GAIN workers were women. One way of assessing how representative these GAIN workers are of the county's total TANF population is by comparing them to records of women receiving AFDC that were extracted from 190 PUMS data (because of limitations of PUMS data it is not possible to identify men receiving AFDC)."	As the footnote on this page points out, PUMS is the Public Use Microdata Sample from the 1990 Census. The characteristics of AFDC recipients have changed greatly from 1989 when the PUMS data was gathered for the 1990 Census. To give but one example, the percentage of all Los Angeles County AFDC-U heads of household who gave Spanish as their primary language increased from 19.74% in March of 1990 to 48.38% in January of 1997.
Economic Roundtable response: In this section of the Appendix we are addressing the following two underlying questions: (1) To what extent are the GAIN participants we studied representative of the total caseload? and (2) Is what we learned about them applicable to the employment prospects of the total caseload of welfare parents? Four factors that affected our approach to assessing these issues and the affirmative conclusion we reached about the applicability of our findings to the total caseload are as follows: 1. There are very few sources of current, county-level information about employment-related characteristics of welfare recipients such as level of education, work history, and current earnings. There are several additional sources of data that might have been used to probe this issue but they all have either, or both, of the limitations of offering very small samples for Los Angeles County, or being dated. 2. For this study we had access to the complete universe of welfare parents who found employment through GAIN activities. This population is much larger than that in any other county-level data source or prior study that we are aware of and therefore has significant credibility.		

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3. The population we studied represented a broad range of employment-related characteristics, including individuals with no education and those with college degrees, and individuals with high levels of earnings and those with no earnings. This makes it possible to produce findings, as we have done, about a diverse range of subgroups within the population. Even though the demographic composition of the overall caseload continues to evolve, it is reasonable to think that information about subgroups within the population will continue to have validity.
4. Most social issues that are studied are part of a changing context. Even if we capture yesterday's realities with great precision there is often a question of how applicable our findings are to the new reality that emerges tomorrow. Yet if this margin of uncertainty keeps us from using lessons from yesterday's experiences we run the risk of being caught up in a frenzy of near-term activity with a dearth of reference points to help us maintain our bearings.

These considerations lead us to the conclusion that our findings can credibly be applied to the total population of welfare parents who need to find work and who do not have severe barriers to employment. The fact remains, of course, that more would have been learned if we had been provided with the records of GAIN participants who were not reported to have found employment. First, we would have been able to learn more about barriers to employment. And, second, some of these individuals undoubtedly did find work and if we knew this we would not be left with the presumption that all of them remained unemployed.

Lynn W. Bayer
Director

April 7, 1999

Daniel J. Flaming, Ph.D.
Economic Roundtable
315 West Ninth Street, Suite 1209
Los Angeles, CA 90015

Dear Dr. Flaming:

ECONOMIC ROUNDTABLE=S DRAFT REPORT: "ON THE EDGE - A PROGRESS REPORT ON WELFARE-TO-WORK IN LOS ANGELES COUNTY"

This is to provide my department's comments and recommendations on the second half of the referenced draft report which was provided to my staff on March 22,1999. These additional chapters provide extensive data on factors which might have had an effect on the economic outcomes of GAIN participants included in the study. However, as with the previous chapters, we identified some areas of concern for your consideration.

Enclosed are our general and detailed comments and recommendations on chapters four through six and the Appendix of your report. We appreciate being included in the report review process and having the opportunity to comment on the preliminary draft report.

We hope that these final comments are helpful to you.

Sincerely,

LYNN W. BAYER,
DIRECTOR

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Enclosures

LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES' COMMENTS - APRIL 7, 1999

ECONOMIC ROUNDTABLE DRAFT REPORT: "ON THE EDGE - A PROGRESS REPORT ON WELFARE-TO-WORK IN LOS ANGELES COUNTY" SECOND HALF OF REPORT (CHAPTERS 4 - 6 AND APPENDIX)

GENERAL COMMENTS

1. The report suggests that the standard of living of welfare participants relies entirely upon the Welfare-to-Work program. Perhaps a more "societal" perspective rather than shifting full responsibility to the Welfare to Work program would be a more appropriate stance.

   Economic Roundtable response:
   We strongly agree that raising the standard of living of working welfare parents is a societal responsibility, and do not mean to suggest that the Welfare-to-Work program is solely accountable for achieving this. We offer two observations in this regard:

   - First, the Department of Public Social Services has been given primary leadership responsibility for helping welfare recipients become economically self-sufficient, even though many aspects of this challenge lie outside the scope both of its traditional activities and of its newly expanded resources and authority.
   - And second, public organizations with responsibility for welfare programs, secondary and post secondary education, employment and training, job creation, transportation, and other supportive services need to build strong working relationships that support parallel strategies for helping the working poor raise their standard of living. In the past, working relationships between many of these organizations have been weak or nonexistent.

2. The report deals only with earnings which get reported to EDD. It does not include other earnings which clients report to DPSS on a monthly basis (e.g. earnings from self employment, babysitting, etc.). It also does not include earnings which participants may fail to report to DPSS, such as under-the-table cash payments associated with the underground economy in Los Angeles County. If these earnings had been included, it would have increased the amount of earned income received by the GAIN participants included in the report.

   Economic Roundtable response:

Yes, in instances where we report average earnings for all workers there would probably be some increase in average earnings if we were able to include income from informal and underground jobs. At the same time, in instances where we report average earnings just for workers with jobs there would probably be a decrease in earnings if these jobs were included because they probably pay below average wages.

Over the past six months we have reviewed a number of studies of employment in the underground economy. We had hoped to find information that was sufficiently specific and reliable that it could be extrapolated into our findings, but we have not yet found any. It would be possible to use the data set we have constructed, together with validating information from confidential interviews with participants whose earnings do not appear in EDD records, to determine how to combine earnings data from DPSS and EDD. However that would have been beyond the scope of this study.

DETAILED COMMENTS AND RECOMMENDATIONS ON CHAPTERS 4 THROUGH 6 AND APPENDIX OF DRAFT REPORT LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES APRIL 7, 1999, AND ECONOMIC ROUNDTABLE RESPONSES

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Chapter 4 (pp. 45-59)	This chapter subdivides Los Angeles County into seven subregions. Conclusions are drawn about the economic well-being of GAIN participants who remain living in these areas. For example, the first paragraph on page 39 indicates that the San Gabriel Valley had the highest concentration of GAIN participants, followed by the Inner City area. Average concentrations of GAIN participants were found in Long Beach/Orange Tier, Burbank/Glendale/Pasadena and the San Fernando Valley. Low concentrations were found in the Westside/Hollywood and South Bay subregions. Later in Chapter 4, the report associates these subregions with various degrees of poverty and job availability.	Each of the seven subregions specified in the report contain concentrations of low, middle and high income areas and also contain areas with varying degrees of job availability. Unless the Economic Roundtable used geocoding to associate the individual GAIN participant addresses with specific areas of poverty and low employment opportunity within these areas, the validity of the findings of this chapter may be affected.
Economic Roundtable response: This chapter shows the geographic distribution of GAIN participants across southern Los Angeles County. We look at seven subregions to make general connections between the residence of GAIN workers and their employment outcomes. It would be very useful to study connections between place of place of residence and employment outcomes through a detailed geographic analysis (see the paper by Blumenberg and Ong cited in the footnote on page 48); this however was beyond the scope of the current report.		

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Page 45: Footnote 32	"In what has become known as the spatial mismatch theory, Wilson and others argue that the restructuring of manufacturing industries since the 1970s has limited the employment of African-Americans in inner city neighborhoods by destroying blue collar jobs that paid a sustaining wage. (William Julius Wilson, *When Work Disappears,* Vintage Books, New York, 1996)..."	Regarding the "spatial mismatch theory", other research work on Los Angeles disputes the applicability of this theory to Los Angeles on the basis that the Los Angeles economy is polycentric. See Paul Ong's study cited on page 40. Citing Wilson here implies applicability to Los Angeles.
Economic Roundtable response: The same footnote states that an alternative argument to the spatial mismatch hypothesis is that inner city labor markets are characterized by growth of low-wage as well as high-wage jobs. Later in this chapter we state that "economic restructuring in Los Angeles has resulted in industry job trends that are not reducible to a schema of de-industrialization in the inner city". Therefore, "the problems of poverty in Los Angeles are not readily explained by a flight of jobs to the outer districts of Los Angeles County". These statements question the applicability of the spatial mismatch hypothesis to Los Angeles.		
Page 46: Figure 28	"Where GAIN Workers Lived in 1997"	We believe it would be more useful if this chart showed what percentage of each community's total population was comprised of GAIN participants versus the percentage of GAIN participants living in each of the areas listed.
Economic Roundtable response: A more appropriate ratio would be the number of GAIN participants in each community divided by the number of people between the ages of 16 and 64. Figure 28 provides an overview of the geographic distribution of GAIN participants, while the Figure 29 indicates their relative concentration in the seven subregions.		
Page 47: Paragraph 2 and Figure 29	"The geography of welfare workers describes the geography of poverty in Los Angeles	Both this paragraph and Figure 29 address "the geography of welfare workers" which is stated as describing "the geography of

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	County...The east-west divide between areas of high and low concentrations of welfare workers is evident in the San Fernando Valley, where 72 percent of the subregion's welfare workers live in the eastern half of the valley."	poverty in Los Angeles County." However, the figure identifies geographical area of employment while the paragraph at left concerns places of residence.
Economic Roundtable response: This figure shows the ratio between the percent of GAIN participants living in each subregion and the percent of the county labor force in each subregion. This is an indicator of the concentration of GAIN participants relative to jobs in each subregion.		
Page 48: Paragraph 3	"Most employment in industries experiencing the greatest job loss in Los Angeles County between 1992 and 1997 was concentrated in the "outer subregions".	Footnote 35 on page 41 is cited for this statement. While this footnote provides the source for the 1992 base, it does not provide the source for the greatest job loss between 1992 and 1997 being concentrated in the "outer city" subregions statement.
Economic Roundtable response: It was beyond the scope of this project to produce subregional industry data for 1997, so it was necessary to apply county-level rates of industry change to subregions within the county. Using available data, we made the reasonable assumption that the geographic distribution of job loss in a given industry between 1992 and 1997 would be similar to the geographic distribution of the industry's employment in 1992.		
Page 52: Paragraph 1	"GAIN workers had average monthly earnings of $514 in 1997 (this was total earnings averaged over all workers). Earnings varied from a low of $332 a month in Glendale to a high of $739 in the City of San Fernando."	We suggest clarifying this paragraph, as it suggests the discussion is on wages earned where people work when, in fact, this section concerns the wages of individuals by their areas of residence.
Economic Roundtable response: We appreciate this suggestion. This has been clarified in the final report.		
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Page 52: Figure 34	"Average Monthly Earnings by Community"	We recommend changing the title of Figure 34 to "Average Monthly Earnings by Community of Residence and the subtitle to "Average of All GAIN Participants Employed in 1997".
Economic Roundtable response: We appreciate this suggestion and have clarified the graph labels in the final report. It should be noted that earnings are the average for the total population of participants living in each community, not just those who were employed in 1997.		
Page 53: Paragraph 2	"When we look at the employ-ment rates of GAIN workers in 1997, we find the highest employment rates, (between 72 and 74 percent) in the San Gabriel Valley, South Bay, and Long Beach/Orange Tier."	We recommend adding a footnote describing the methodology used by the Roundtable to calculate "GAIN Worker" employment rates (i.e., were all participants residing in South Bay at any given time in 1997?, was length of employment a factor?, etc.).
Economic Roundtable response: We appreciate this suggestion. A footnote has been added describing how we determined employment rates.		
Page 55: Paragraph 2	"In answer to the question raised earlier, there is little difference between the earnings and employment rates of GAIN workers living in the Inner City and those in the balance of the county..."	It is not clear what question this sentence references. For clarity, we suggest that instead of making reference to the question, it would be better to ask the question again and then address it.
Economic Roundtable response: We appreciate having this sentence flagged. It has been edited for the final report.		
Page 55: Figure 38	"Ethnic Immigrant Groups"	Clarification is needed to determine what population is included in the "TOTAL" figure (e.g., is this the total of immigrants or are non-immigrants included?).
Economic Roundtable response: We appreciate this suggestion. The total (now called "All Persons") represents all participants who were employed in 1997 and earned at least $500.		
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Page 55: Footnote 40	"Recent immigrants were defined as persons who were (a) not United States citizens, or (b)	This appears to be a misuse of the term "recent immigrants" which should mean someone who immigrated recently.

	United States citizens with limited English ability..."	Neither citizen status nor limited English ability necessarily shows this. A different term should be used.

Economic Roundtable response:
The data we received does not identify the year of immigration of GAIN participants. At the same time, we found it useful to make a distinction between GAIN participants who are likely to be recent immigrants, on the one hand, and those who were either born in the United States or were long term residents, on the other. We clarified the footnote to state that the definition we are using is a proxy for recent immigrants.

Page 57: Paragraph 3	"Most GAIN workers in Glendale are Armenian immigrants, while Van Nuys GAIN participants are a diverse group made up by Latinos (44 percent), European-Americans (30 percent), and African-Americans (21 percent)..."	A percentage distribution according to race is given for the Van Nuys GAIN participants. It would be helpful if a similar percentage racial distribution of Glendale GAIN participants is presented.

Economic Roundtable response:
We appreciate having this flagged. The corresponding ethnic distribution of Glendale GAIN participants is: European-American (87 percent), Latino (11 percent), and African-American (1 percent). This has been added to the paragraph.

Page 59: Bullet 3	"GAIN workers had average monthly earnings of $514 in 1997 (*this is total earnings averaged over all workers)*. Earnings by city varied from a low of $332 a month in Glendale to a high of $739 in the City of San Fernando."	We suggest that because these earnings are averaged over all workers, the following phrase should be added to the highlighted phrase in the sentence: "including members of the sample who were not employed at all in 1997."

Economic Roundtable response:
The two methods we use of calculating average earnings (everyone versus those who worked) are explained in Chapter 2. However, to ensure clarity we have added the suggested phrase to the final report.

REPORT PAGE CITATION	AREA OF CONCERN IN ECONOMIC ROUNDTABLE REPORT	LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS/RECOMMENDATIONS
Page 64 Figure 45	"Average 1997 Earnings of GAIN Workers"	It should be noted that the horizontal axis is "Age".

Economic Roundtable response:
We appreciate this suggestion and have added this label in the final report.

Page 63 Paragraph	"Earnings-by-age profiles	Referring to average 1997 salaries by

1	generally have an "inverted-J" shape: steadily rising earnings until workers reach their 40's or 50's , followed by slight earnings declines in older age (see Figure 45). There is a steep rise in earnings between the ages of 18 and 25, after which there was little variation in earnings for workers between the ages of 25 and 54, which includes almost 90 percent of all GAIN workers (see Figure 42)".	worker age (Figure 45), the Roundtable specifies there is little there to suggest that [GAIN workers between the ages of 25 and 54] receive "benefits from additional training or experience". But Table 45's snapshot of 1997 salaries does not really relate to this issue. To evaluate the impact of work experience on salaries, the Roundtable would have to track the wages of particular individuals who remain employed over an extended period of time. The durations of jobs represented in Table 45 are unknown. (Also, in the Appendix, the Roundtable notes that the average age at the time of first GAIN job was 34 years.)
Economic Roundtable response: We appreciate these comments. This paragraph has been revised for the final report.		
Page 66: Paragraph 4	"...Recent immigrants with jobs earned an average of $8,007 in 1997, which was 13 percent lower than the average of $9,243 earned by US citizens and settled immigrants (see Figure 50)."	The Roundtable's criteria for determining "recent immigrants" is unclear. For instance, there are a large number of resident aliens who have lived in the United States for many years. Also, there are a significant number of individuals born in the US who have limited English-speaking capabilities. See comment for page 55, footnote 40. A more reasonable criterion for determining a recent immigrant, for example, might be entered US within the
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		past three years. (It is understood that such information was not available to the Roundtable from DPSS.)
Economic Roundtable response: We appreciate this suggested clarification. See our response above to the DPSS comment regarding page 55, footnote 40.		
Page 67	"Number of GAIN Workers - By	The last digit is missing on many

Figure 51	Ethnic and Immigrant Groups"	numbers.
Economic Roundtable response: We appreciate having this labeling problem flagged.		
Page 68: Paragraph 1	"To summarize: 84 percent of the 99,468 GAIN workers in our database are in the following four ethnic immigrant groups..."	Does the 84% include all immigrants? If not, the meaning of this data is unclear. A Latino may have been born in the US, along with his/her parents and grandparents. Being Latino does not equate being an immigrant.
Economic Roundtable response: We distinguish between Latinos who are classified as recent immigrants and Latinos who are classified as US-born or "settled immigrants".		
Page 69: Paragraph 1	"The level of educational attainment was recorded for 80 percent of the GAIN workers in our file. (The average earnings of the remaining 20 percent of workers were above the average for all GAIN workers, suggesting that this group included mostly persons making a quick re-entry into the labor force who in all probability have at least a high school education)."	Since there was no information about the years of schooling for 20 percent of the GAIN participants, the assumption that these participants had above-average levels of education is unfounded.
Economic Roundtable response: We believe this assumption is logical based on the above-average earnings of GAIN participants for whom no educational information was available, given the high correlation between education and earnings that we found in the population.		
REPORT PAGE CITATION	**AREA OF CONCERN IN ECONOMIC ROUNDTABLE REPORT**	**LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS/RECOMMENDATIONS**
Page 68: Paragraph 1	"There was little variation in earnings for workers between the ages of 25 and 54, which includes almost 90 percent of all GAIN workers. This indicates that this population of low-wage workers achieves little upward mobility based on experience in the work force. The lack of a relationship between age and	See comment for page 54, paragraph 1. For clarity, we recommend adding the phrase "based on age" so that the first sentence will read "Based on age, there was little variation in earnings for workers...".

	earnings is indicative of the high job turnover of GAIN workers."	
Economic Roundtable response: We appreciate having this issue flagged again. This sentence has been removed.		
Page 75: Number 3	"There is a shortage of jobs in the county that pay sustaining wages to workers with average levels of education."	We suggest that the Roundtable offer supporting evidence for this "shortage of jobs" contention.
Economic Roundtable response: This information was provided earlier in our response to comments regarding Page 18, paragraph 2 of the report. Further documentation of evidence pointing to a serious shortage of jobs for GAIN job seekers is provided in Chapters 7 and 8 of our report, B*y the Sweat of Their Brow*, released in 1998, and the section "Industry Context of Welfare Employment" in the Appendix of this report.		
Page 82: Number 2	"Guidelines for determining which individuals should have first call on education and training opportunities while keeping the total GAIN program within the 25 percent cap set by federal legislation on the share of the total caseload that can participate in these activities at any one point in time..."	Federal law limits the percentage of families receiving TANF assistance, who can count in the work participation rate numerator based on vocational education. Education and training services, without cash, childcare or transportation, do not constitute "assistance"; therefore, there is no restriction of number on "needy families" not receiving assistance who can receive TANF-funded education and training. In addition, employed CalWORKs participants can count in the
REPORT PAGE CITATION	**AREA OF CONCERN IN ECONOMIC ROUNDTABLE REPORT**	**LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS/RECOMMENDATIONS**
		federal work participation rate numerator based on employment, and still receive post-employment education or training.
Economic Roundtable response: We appreciate receiving this important clarification and have revised this sentence in the final report to reflect the information provided by DPSS.		
Page 82: Paragraph 2	"...The working poor should be defined to include all individuals who work at least the same number of hours required of TANF participants and have earnings below the poverty	We believe that including individuals with earnings below the poverty level would be too low. The CalWORKs income cut-off for recipients is above federal poverty level. Up to 200% of federal poverty would be more

	level."	appropriate. In addition, by omitting any consideration of personal or real property, the Roundtable's definition of "working poor" could enable wealthy individuals to access TANF services.
Economic Roundtable response: We appreciate these suggestions and have revised the final report to incorporate these ideas. There may not be sufficient TANF funds to extend services to families with incomes that are 200 percent of the poverty level. An issue that deserves further study in establishing a means test is the length of time that families should have earnings below a particular income threshold in order to qualify for services. Longer duration of low earnings would target the chronically poor, while shorter duration would target individuals for whom upward mobility is more easily achieved.		
Page 82: Paragraph 3	"...Vouchers can be issues on a first-come, first-served basis, with the number of vouchers available regulated to conform to the availability of TANF funds after having paid for services required by TANF participants."	We recommend adding clarification that any voucher issuance, if approved, would be available after eligible individuals locate and select the services, to avoid potential overpayments.

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Economic Roundtable response: We appreciate this suggestion and have addressed this issue in the final report. It would seem that overpayments could be avoided if vouchers were payable to approved service providers who would be required to document delivery of services, rather than to participants.		
Pages 84 through 85	"Enrollment of Welfare Recipients in Los Angeles County Community Colleges"	This chart shows that enrollment of welfare recipients in Los Angeles Community Colleges declined by 10% from the Fall of 1997 to the Fall of 1998. The report indicates that it is difficult to determine how much of this decline is attributable to declining welfare caseloads. Since the decline of welfare recipients enrolled in Community Colleges was only 10 percent and the decline in the total number of AFDC persons aided from September 1997 to September 1998 was 11.5 percent, it appears that most of the decline was attributable to declining caseloads.
Page 85: Paragraph 1	"...It is difficult to determine how much of this decline is attributable to declining welfare caseloads and how much is the result of pressure by the GAIN program for recipients to obtain immediate employment..."	It would be appropriate to cite that the overall caseload decline during that period was over 10%.
Economic Roundtable response: This is a reasonable interpretation of the data, although some community colleges have had larger declines, and often these reports came from colleges that appear to have the most current data. We have added the suggested information to the final report. In terms of local program planning the key point is that there is underutilized educational capacity for welfare parents in community colleges.		

REPORT PAGE CITATION	AREA OF CONCERN IN ECONOMIC ROUNDTABLE REPORT	LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES COMMENTS/RECOMMENDATIONS
Page 85: Paragraph 5	"During the first eight months of this fiscal year there were only 75 successful referrals of GAIN participants into job training programs. As much as two-thirds to three-quarters of the block grant funds allocated to the county for the 1998-99 fiscal year may go unused and be carried over into the following fiscal year..."	This sounds like all programs, but in context it seems to mean the DOL WTW grant program in particular. Also in the second sentence, it is unclear if the sentence refers to TANF or single allocation. In addition, the figure is probably not correct, but this is impossible to assess due to the lack of clarity of the reference.
Economic Roundtable response: Both the reference to the number of participants referred into training and the reference to carry-over funds are about the welfare-to-work job training programs funded by the Department of Labor. We have clarified this in the final report.		
Page 86: Paragraph 2	"Strengths of the job training...inadequate documentation..."	It appears that a word is missing in the beginning of this sentence.
Chart	Welfare-to-Work Funding for Job Training Service Delivery Areas" - First Column, Welfare-to-Work State Block Grant", Third Column Fair Share of Federal Discretionary Funding"	We recommend changing the title of the first column to "Welfare to Work Formula Grant". In the same table, we suggest adding a footnote to explain what the column "Fair Share of Federal Discretionary Funding" means and how the fair share is calculated. Also, this incorrectly implies that state and federal WtW discretionary grants go to SDAs. Generally, these go to non-SDAs, including 15 current grantees in Los Angeles County.
Economic Roundtable response: We appreciate these suggested clarifications and have incorporated them in the final report.		

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Page 88: Paragraph 5	**"California Minimum Wage -** A Minimum Wage that Raises Full-time Workers above the Poverty Level"	We recommend factoring in the federal EITC into this chart.
Economic Roundtable response: This is a reasonable suggestion because the Earned Income Tax Credit (EITC) is an important resource for the working poor. However, it was beyond the scope of this study to investigate this issue. Two questions related to the EITC that need further study are: (1) How many and which welfare workers apply for this tax credit? And, (2) What is the impact of a single annual lump sum benefit?		
Page 89: Number 1	"Expand the role of GAIN to place much greater emphasis on skill development, based on comprehensive assessments of GAIN participants and routing of participants to basic education, vocational training, on-the-job-training, or post-secondary education based on individuals' readiness, available funds, available training and education slots, and the 25 percent cap imposed by TANF."	Regarding the "25 percent cap imposed by TANF", see comment for page 82.
Economic Roundtable response: We appreciate this important suggestion and have incorporated it in the final report.		
Page 89: Number 3	"Amend CalWORKs legislation to allow use of TANF funds, when available, for employment-related services for members of the working poor who are not receiving cash assistance."	Even though State action is required, State legislative action may not be. Welfare and Institutions Code Section 10544(d) authorizes counties to use CalWORKs federal performance incentives funds in any way that is federally authorized. The State could broaden the definition of "needy family" in the State's TANF plan administratively, without legislation.
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Economic Roundtable response: We appreciate this interesting information and have incorporated it in the final report.		
Appendix Figures 64-66	"Figure 64, Education Level of GAIN Participants", Figure 65, Age at Time of First GAIN Job, and Figure 66, Women as Percent of GAIN Workers"	It is unclear what source of data is used for Figures 64, 65 and 66. *Note: The Appendix duplicates some text from earlier chapters.*
Page 156: Paragraph 4	"All of the variation in factors shown in Figures 63-66, (point of entry into the labor market, level of education, age, and gender) have an impact on employment outcomes and are discussed in the following chapters."	This sentence indicates that factors will be discussed "in the following chapters". There are no following chapters.
Economic Roundtable response: We appreciate these suggested clarifications. We have addressed these issues in the final report, while retaining the duplicate language in the Appendix. The source of information for these Figures (now numbered 63 to 66) was GAIN records.		
Page 164: Paragraph 5	"The industries of GAIN workers are based on data provided by the EDD for the third quarter of 1997."	The Roundtable may wish to include clarification that EDD data does not address all employed GAIN participants (e.g., self-employed paid by cash).
Economic Roundtable response: We have added phrase to this sentence providing the suggested clarification.		
Page 199: Table 62 Asterisk 1	"GAIN activities include appraisal, GAIN component, or GAIN activity."	It is not clear why GAIN component and GAIN activities are used distinctively
Economic Roundtable response: These descriptions are from the GAIN activity reports that were provided by DPSS. Report categories changed over time, but all of these categories were readily identifiable as describing participants who were actively involved in GAIN.		

Appendix

- *Population Represented by the Data*
- *Industry Context of Welfare Employment*
- *Subregions of Los Angeles County*
- *Supporting Data for Graphs*
- *Statistical Tests*

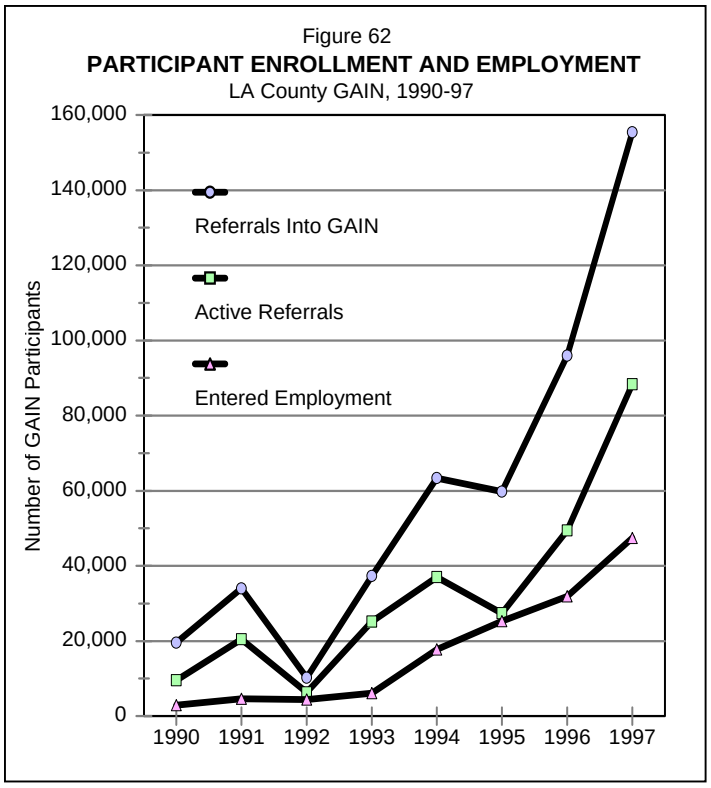
Population Represented by the Data

The nearly 100,000 welfare workers whose characteristics and earnings are analyzed in this report are not fully representative of either the general population receiving TANF,[54] or of all of the participants in Los Angeles County's GAIN[55] program. Rather, they are individuals who participated in GAIN and were reported by program staff to have found jobs.[56] The findings reported here do not represent an evaluation of the overall GAIN program, but rather of the most successful half of GAIN participants.

The strength of the data is that it includes a large population of job-finders over an eight-year period during which the GAIN program went through three program phases:

1. During the period of 1990 to 1993, GAIN was primarily a basic education program. Participants were primarily welfare parents who did not have a high school diploma or GED certificate, or who scored below minimum levels in reading or math tests, or who were not proficient in English.

Figure 62
PARTICIPANT ENROLLMENT AND EMPLOYMENT
LA County GAIN, 1990-97



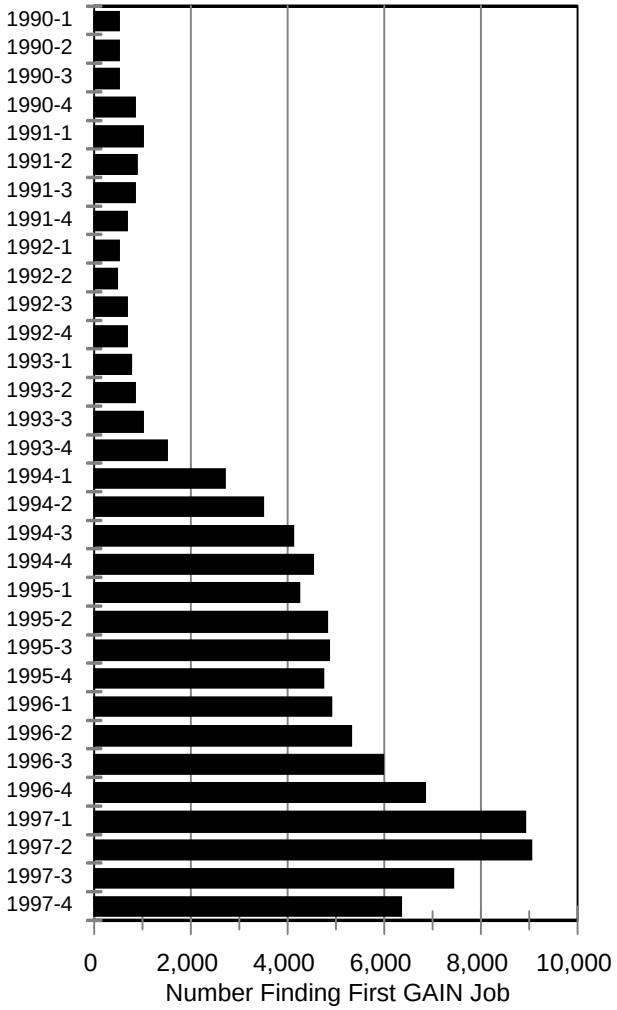
2. In 1993 the program changed to a "work-first" model, emphasizing immediate job-search activities rather than skill development. From 1993 to 1996, priority for assignment to GAIN was given to long-term welfare recipients.

3. In mid-1996 program targeting shifted, and highest priority for assignment to GAIN was given to new entrants to welfare.

It is our assessment that as a consequence of these shifting program targets, the population of GAIN job finders represented in our data is reasonably representative of the total

[54] Prior to recent welfare reform legislation the primary assistance program for impoverished families was called Aid to Families with Dependent Children (AFDC), now it is called Temporary Assistance to Needy Families (TANF).
[55] Los Angeles County's welfare-to-work program is called Greater Avenues for Independence (GAIN).
[56] The Department of Public Social Services agreed to provide records of all GAIN participants from 1990 through the end of 1997, however the files produced by the data management vendor were limited to participants whose records contained an entered-employment date.

Figure 63
NUMBER GAIN WORKERS PLACED IN JOB
Los Angeles County 1990-1997



population of welfare recipients who are able to find employment without intensive program intervention. During the period covered by our data, approximately 15 percent of GAIN participants were volunteers, and 85 percent were non-volunteers, reflecting the mandatory job seeking obligation that now applies to all aid recipients.

From 1990 to 1997, there were 475,489 referrals of welfare recipients into the GAIN program, some of which represented multiple program cycles for the same individuals. We estimate that 263,724 referrals were active participants in the GAIN program, with 140,317 finding employment between 1990 and 1997.[57] These program flows are shown in Figure 62.

We estimate that 55 percent of the individuals referred into GAIN became active participants, and that 53 percent of active participants found jobs. Both of these figures include instances in which participants had multiple cycles of employment and GAIN activity.

The growing flow of GAIN participants into jobs from 1990 through 1997 is shown in Figure 63, which is based on unduplicated GAIN records. Because this report focuses on employment outcomes, these quarterly and annual employment cohorts of GAIN workers, grouped by the date of their first job, are used for many of the analyses that we present. As

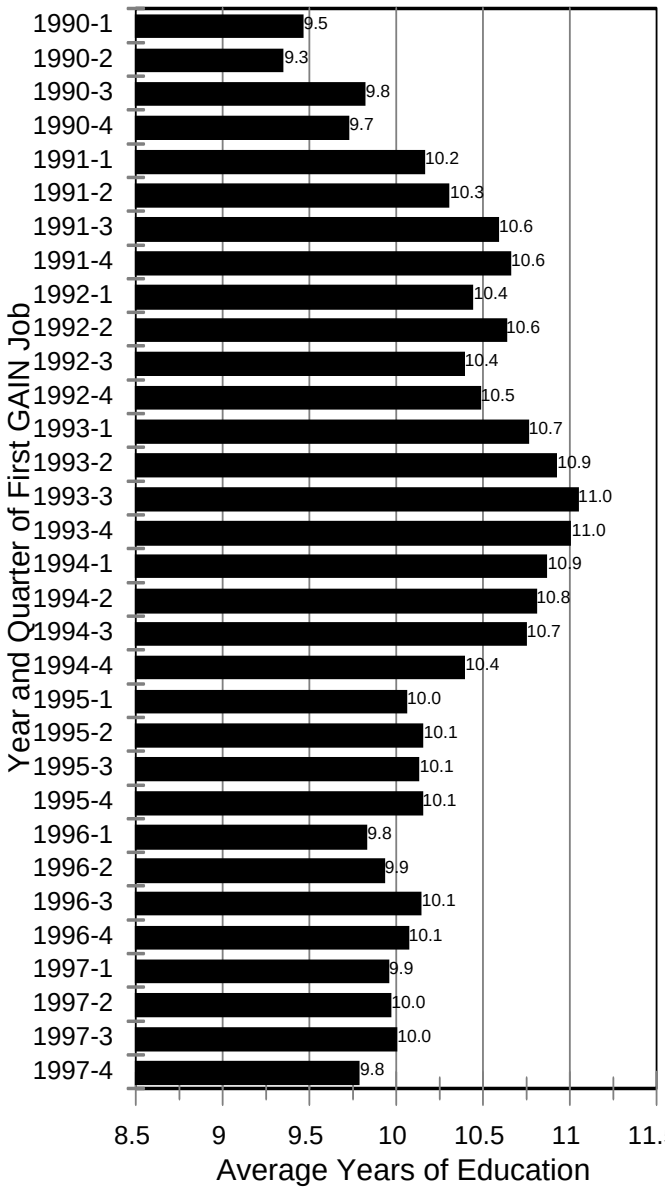
[57] Some individual who were referred into GAIN were not active participants because they were deferred from activity, did not comply with program requirements, or were assigned to control groups in experimental programs. We used the relative size of the pools of active and inactive GAIN registrants shown in program reports to estimate the share of annual referrals that became active participants. The total number of referrals into GAIN and the number entering employment are taken from program reports produced by the Los Angeles County Department of Public Social Services.

Figure 63 shows, these employment cohorts vary in size, but they represent a spectrum of labor market experiences during a period when the economy entered and slowly emerged from a recession, and they also represent different mixes of welfare recipients in terms of their personal characteristics.

Figure 64

EDUCATION LEVEL OF GAIN PARTICIPANTS

Quarterly Job Placement Cohorts 1990-7



Average years of education from GAIN records of each quarterly job placement cohort are shown in Figure 64. Information about education is included in the records of 79,206 participants in the data set. These participants had an average of 10.2 years of education. Many of the other 20,263 participants for whom we do not have educational information probably have above-average levels of schooling. We have surmised this based on our understanding that assessment information (including level of education) was not obtained from the GAIN participants who found employment without participating in any GAIN activities. As was discussed in Chapter 2, these quick-job-finders for whom we do not have educational information had above-average earnings. Among

participants for whom we have educational information, average years of schooling for quarterly placement cohorts varies from a high of 11.0 in the third quarter of 1993 to a low of 9.2 in the second quarter of 1990.

The average age of each quarterly placement cohort is shown in Figure 65 (basic demographic information such as age, sex, ethnicity, and home language in included in over 99 percent of records in our GAIN files). Except for several cohorts of older workers in 1990 and of younger workers in 1993 and 1994, these workers were an average of about 34 years old at the time of their first GAIN job. Of course, most participants had held jobs prior to entering GAIN, and frequently it was the loss of those jobs that led to welfare.

Figure 65
AGE AT TIME OF FIRST GAIN JOB
All LA Co. Participants 1990-1997

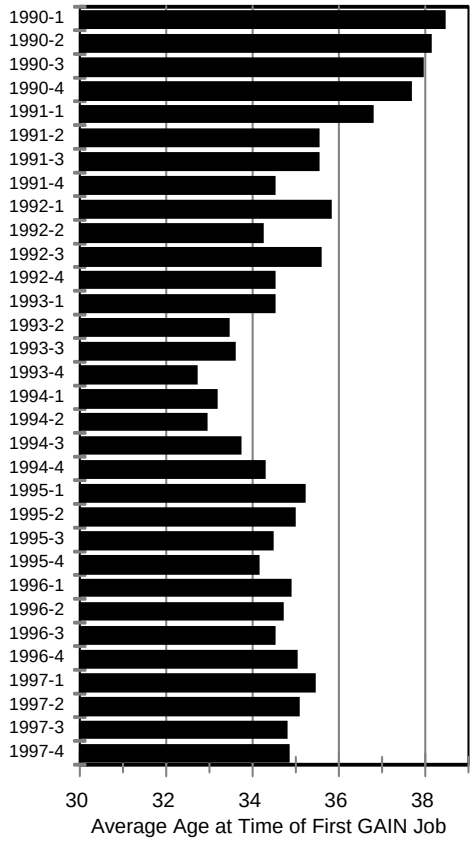
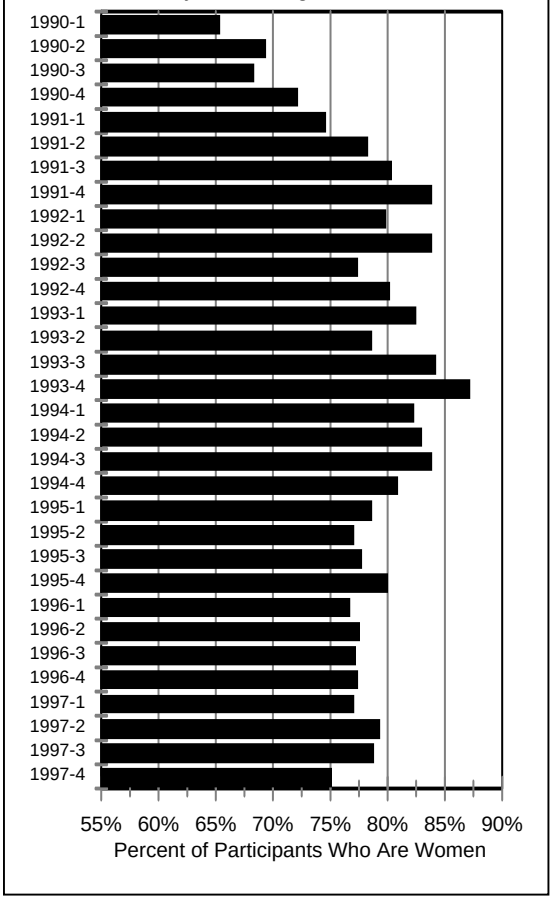


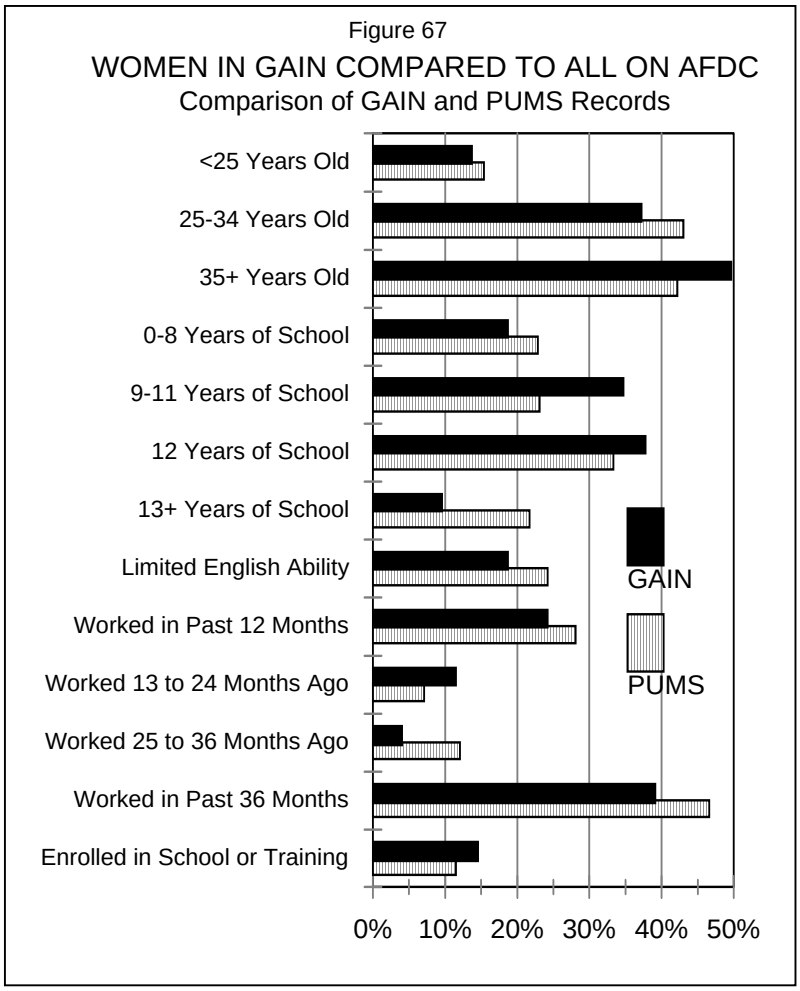
Figure 66
WOMEN AS PERCENT OF GAIN WORKERS
L. A. County GAIN Program 1990-1997



Women made up a majority of GAIN workers, as shown in Figure 66, varying from 65 percent at the beginning of 1990 up to 87 percent at the end of 1993.

All of the variation in factors shown in Figures 63-66 (point of entry into the labor market, level of education, age, and gender) have an impact on employment outcomes and are discussed in the main body of this report.

Figure 67



Seventy-eight percent of GAIN workers were women. One way of assessing how representative these GAIN workers are of the county's total TANF population is by comparing them to records of women receiving AFDC that were extracted from 1990 PUMS data (because of limitations of PUMS data it is not possible to identify men receiving AFDC).[58] Though dated, PUMS records are one of the few sources of information describing employment-related characteristics of the county's entire welfare population. This comparison is shown in Figure 67. The profile of GAIN workers is similar to that of the county's female welfare population in PUMS data. The major points of contrast are that GAIN workers are somewhat older and more concentrated in the middle range of educational achievement.

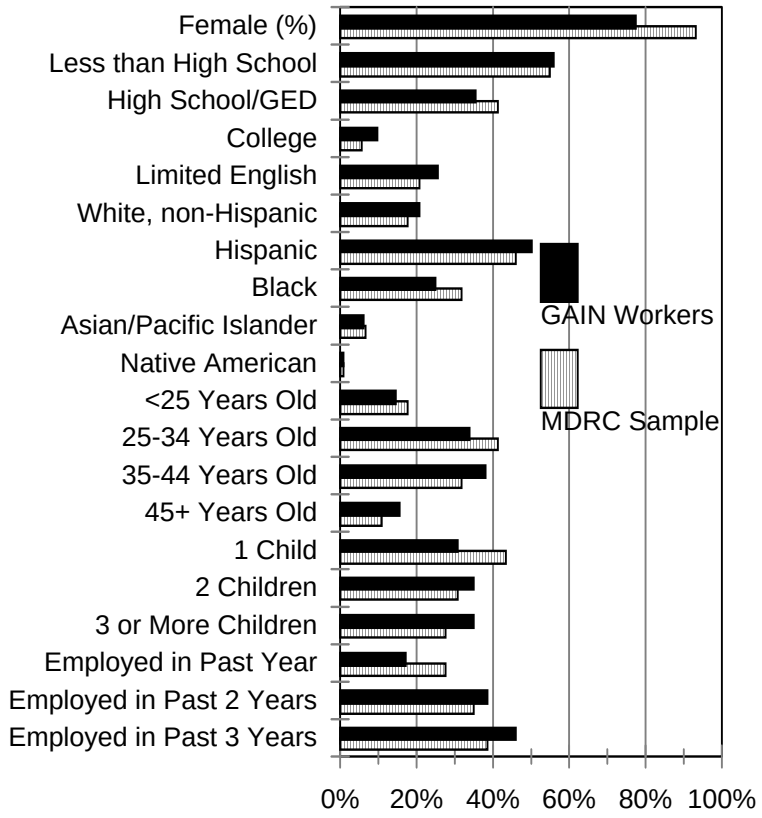
A recent evaluation of the GAIN program that was prepared by MDRC provides a second point of comparison for benchmarking GAIN workers against the total population of GAIN participants.[59] This comparison, which is shown in Figure 68, compares MDRC's profile of participants entering GAIN from April 1 to September 11, 1996 with data from

[58] PUMS is the Public Use Microdata Sample from the 1990 Census. It provides complete records of 5 percent of individual responses to the long-form Census questionnaire, and each record is weighted based on its representativeness of the total population. A file of PUMS records representing women in Los Angeles County receiving AFDC was constructed for an earlier report. For a more extensive discussion of this data see: Peter Force, Daniel Flaming, Julia Henly, and Mark Drayse, *By the Sweat of Their Brow: Welfare to Work in Los Angeles*, Economic Roundtable, 1998.

[59] Manpower Demonstration Research Corporation (MDRC) has played an important role as an architect of the "Work-First" approach to welfare reform. They have conducted a series of evaluations of welfare-to-work programs in Los Angeles County as well as other parts of the country. The report cited here looked at a segment of GAIN participants in 1996. It was prepared by Stephen Freedman, Marisa Mitchell, and David Navarro, *The Los Angeles Jobs-First GAIN Evaluation: Preliminary Findings on Participation Patterns and First-Year Impacts*, MDRC, New York, NY, August 1998.

Figure 68

MDRC SAMPLE COMPARED TO GAIN WORKERS
In GAIN from April to September 1996



this study about participants who were reported to have found their first GAIN job in the same time period. While not exact, this comparison identifies differences between the total population entering GAIN and those who found jobs.

Differences shown by the comparison are that reported GAIN job-finders in the Economic Roundtable files include a higher proportion of males, are somewhat more educated, more likely to be Hispanic, and older. Surprisingly, the GAIN workers in our files also have more children and less work history in the prior year, although more work history in previous years than the total GAIN population in MDRC's 1996 sample. The average earnings of those the total MDRC GAIN population in the six months following GAIN was $1,286. Average earnings of GAIN workers in this study sample during this same time was $2,611, reflecting the higher proportion of job-finders in the file of GAIN workers provided to the Economic Roundtable.

These comparisons suggest that the population of GAIN workers studied in this report is similar to the total populations of welfare recipients and GAIN referrals, with the single major exception that our study population includes many more job-finders. It appears that there is not a single factor that distinguishes those who found jobs from those who did not. Rather, the causes of higher rates of employment among GAIN workers studied in this report probably lie in the interplay of multiple factors such as education, age, access to transportation and childcare, health problems, and personal motivation. Some of these causative factors are explored in this report by looking at long-term outcomes of GAIN workers and the varying degrees of success of individuals with different skills and characteristics in finding sustaining employment.

Industry Context of Welfare Employment

Industry Context of Welfare Employment

OVERVIEW OF EMPLOYMENT AND UNEMPLOYMENT TRENDS IN LOS ANGELES AND THEIR IMPLICATIONS FOR THE WORKING POOR

Between December 1989 and December 1992, a total of 386,700 jobs were lost in Los Angeles County, and many of these were in the manufacturing sector–historically an important source of well-paying blue-collar jobs. That loss (9.2 percent of all 1989 jobs) was a major blow to the local economy. The level of unemployment soared from an estimated 226,300 in late 1989 to a peak of 493,600 by July 1992. The number of persons receiving AFDC assistance also grew, rising from a level of 492,677 in December of 1989 to an all-time high of 701,854 by March of 1995. (The growth and contraction of welfare caseloads has tended to lag trends in employment by as least a year.)

Employment in Los Angeles did not begin a serious recovery until 1996. By the end of 1998, only a little over half of the nearly 400,000 lost jobs had been recovered. The job level in December 1998 was still 4 percent (or 173,100 jobs) short of the pre-recession level. Over the past two years, the growth in employment has ranged between 85,000 and 93,000 new jobs per year. At this rate, local residents will have to wait until the next century before employment regains the 1989 record. *That will mark at least ten years with no net growth in the number of jobs in Los Angeles County.*

Currently, unemployment in the county remains stubbornly high, averaging over 300,000 for most months of the past two years. The latest jobless rate (for the third quarter of 1999) was 6.5 percent–about fifty percent higher than the national rate and three-fourths above the combined rate for the other largest nine counties in the state having a labor force of 400,000 or more. The civilian labor force total has also been fairly stagnant, expanding by only 79,000, or 1.7 percent during 1998. The latter statistic is a strong indicator that the current paucity of job opportunities is keeping many people from seeking work.

The labor force experience of GAIN program participants during the 1990s has reflected, to a large extent, the experience of Los Angeles' entire labor force. More specifically, the nearly 100,000 GAIN participants who found work after entering this program between 1990 and 1997 showed an employment pattern quite similar to that of the entire workforce during the first eight years of the decade. Although the data for GAIN participants is much more volatile, the direction and relative magnitude of the quarter-to-quarter changes follow a very similar pattern. The total wage-and-salary quarterly changes were able to predict over 80 percent of the corresponding changes in the number of GAIN workers employed over the roughly seven-year period. This relationship was highly significant statistically (see Chapter 3, pages 35 and 36).

What useful information regarding the GAIN program can be drawn from the above historical data? The first is that a large number of families in which the head-of-household

parent is in the GAIN program probably would not be there if the local economy had not experienced a period of sharp contraction, followed by a long period of virtual stagnation. The second point is that if the Los Angeles economy were to suddenly resume its historical (pre-1980) post-war growth path of five or six percent per annum, there would be much less need for the GAIN program since most GAIN participants with work experience would quickly be absorbed into steady employment. The third point, strongly suggested by available data, is that GAIN workers who are most likely to find work under the current labor market conditions tend to follow the work patterns of the so-called "working poor". The working poor are persons who experience frequent bouts of unemployment, are paid at or somewhat above the minimum wage when they do work, and rarely receive such benefits as health insurance, paid vacations, or promotional opportunities.

The working-poor population in the Los Angeles labor force comprises one-fifth to one-fourth of all workers in the county. It includes a large number of families in poverty in which the head-of-household is working. For the most part, this is the same group of workers with whom most GAIN participants must compete for the available jobs for which they qualify. The tenuous labor-force status of the GAIN working poor explains, to a large extent, why their income mainly remains below the poverty level. There is most likely considerable cycling of members of this group into and out of poverty, and into and out of welfare programs.

The loss of the area's valuable aerospace, automobile, and other major manufacturing sectors over the past fifteen years has greatly transformed the regional economy. The geographic footprint of low-income neighborhoods has expanded. The average level of income has been lowered, together with expectations for improvement in the standard of living of many its residents. At the same time, the level of crime and feelings of insecurity have risen. In its publication *By The Sweat of Their Brow*, the Economic Roundtable raised the issue of government-sponsored investment in major infrastructure programs such as mass transit projects, environmental cleanup and protection, and school and housing construction. Many such projects, carried out in the 1950s an 1960s in California, and should be seriously discussed at the state and regional levels. Their implementation could provide a much- needed boost to the local economy, and would improve the standard of living of many of its residents.

INCREASING POLARIZATION OF THE REGIONAL LABOR MARKET

Los Angeles exemplifies the development of the "dual city" in contemporary America.[60] Labor markets in Los Angeles are polarized between high-wage professional, managerial, and technical jobs on the one hand, and lower-wage production, sales, and service jobs on the other. Lower-tier jobs are held disproportionately by ethnic minorities, many of them recent immigrants. These workers are hard-pressed to make ends meet:

[60] For a discussion of the concept of dual cities see John H. Mollenkopf and Manuel Castells (eds.), *Dual City: Restructuring New York* (New York: Russell Sage, 1992).

wages are low, benefits are limited or non-existent, and job turnover among recent hires can be considerable. Low wages and high turnover are likely to be reinforced by the entry of more public assistance recipients into the labor market. This makes it difficult for many of the working poor to support themselves and their families without supplemental public assistance.

Labor market polarization is in part a product of industrial restructuring. Industrial restructuring refers to changes made by firms in response to competitive pressures, including change in the levels and types of employment, technological change, mergers and acquisitions, corporate reorganization, and changing locations of plants and offices. In Los Angeles, the manufacturing and financial sectors in particular have experienced significant restructuring in the last two decades, resulting in the loss of tens of thousands of jobs paying good wages that had enabled families to be economically self-sufficient.

During the postwar boom (a period that corresponds roughly with 1948-1973), manufacturing industries provided good opportunities for sustainable employment. The local manufacturing sector was anchored by the automobile-steel-tires industry complex centered in Southeast Los Angeles, and aerospace plants distributed throughout the "outer ring" of the county. However, two phases of industry restructuring resulted in the loss of close to a quarter of a million jobs in the Los Angeles manufacturing sector since the late 1970s. In the late 1970s and early 1980s, plants in the automobile-steel-tires complex closed their doors as a result of intensified global competition and falling profits. This left tens of thousands of workers without jobs and devastated the job base of inner city Los Angeles. In the late 1980s and early 1990s, defense cutbacks led to the retrenchment of production in the aerospace industry, resulting in the loss of 150,000 jobs. Declining production in these industries caused job losses throughout the economy, extending from other manufacturing firms tied to automobile or aerospace production through production linkages, to retail firms losing business as a result of the reduced spending of manufacturing workers. Altogether, a total of 225,000 jobs were lost in the durable manufacturing sector between 1986 and 1997.

Industrial restructuring has also affected the financial sector. About 58,000 jobs were lost in the finance, insurance, and real estate industries between 1990 and 1997. Most of this job loss is attributable to mergers and acquisitions in the banking industry, resulting in the closure of branches and offices in Los Angeles.

The decline in manufacturing and financial employment has been offset by growth in service sector employment. The service industries have been the fastest growing sector in Los Angeles County in the last two decades. Service sector employment increased from 883,000 in 1983 to 1,267,000 in 1997, a 44 percent increase. Job growth in the services industries has been concentrated in the business services, which added 101,000 jobs between 1983 and 1997, and motion pictures, which added 75,000 jobs during the same period. Labor markets in the service sector are characterized by segments of both high and low wage jobs.

A second process behind labor market polarization is international migration. Los Angeles is the premier gateway city for immigrants from throughout the Pacific Rim seeking to enter the United States. Settling in barrios and other ethnic neighborhoods, new immigrants provide a cheap labor force for diverse manufacturers, retailers, and service businesses. For example, the availability of immigrants willing to work for low wages is the major explanation for the recent growth of the Los Angeles County apparel and textiles industry, which employed 130,000 workers in 1997 and has surpassed aerospace as the major manufacturing employer in the county. Immigrants also find employment in the retail and service sectors as sales clerks, cooks, gardeners, janitors, and domestic cleaners.

Also contributing to labor market polarization is the postwar erosion of institutions and regulations designed to promote a living wage for workers. Union strength has declined as firms close union plants and open non-union plants. The real value of the minimum wage has dropped significantly since the 1970s. Growing numbers of workers are without basic health care and benefits packages. Welfare policy has become "workfare" policy, subjecting workers to the discipline of the low-wage labor market with insufficient training and education.[61]

INDUSTRIAL DISTRIBUTION OF GAIN WORKERS

Most public assistance recipients entering and re-entering the labor market compete for low wage jobs in the retail and service industries. Three in four GAIN workers in the Economic Roundtable database were employed in the retail and service industries. Few GAIN participants found jobs in higher wage industries.

The industries of GAIN workers are based on data provided by the EDD for the third quarter of 1997 (EDD data includes all employed persons except military personnel, employees of nonprofit religious organizations, and self-employed individuals). In that quarter, a total of 59,371 persons in our GAIN database were working. The major industries in which they were employed are shown in Figure 22. Of these 18 industries, 14 are in the service sector and 3 are in retail trade. The one exception is an apparel manufacturing industry, a major employer of immigrant workers.

GAIN WORKERS IN THE SERVICE SECTOR

The service sector includes diverse industries that fall into the following groups:

- *Business Services*
- *Personal Services*
- *Professional, Public, and Social Services*
- *Tourist and Entertainment Services*

[61] See Jamie Peck, "Postwelfare Massachusetts", *Economic Geography*, 1998 (AAG Special Issue), pp. 62-82.

Altogether, 31,603 GAIN workers were employed in service industries in the third quarter of 1997, which was 53.2 percent of all GAIN workers employed in that quarter. The greatest number were employed in Professional, Public, and Social Services (13,283 or 22.4 percent), followed by Business Services (11,889 or 20.0 percent), Personal Services (4,240 or 7.1 percent), and Tourist and Entertainment Services (2,191 or 3.7 percent).

Professional, Public and Social Services

The major industry groups in the professional, public and social services are health care, education, legal services, and social services. The health care industry in Los Angeles County grew from 221,000 employees in 1983 to 265,000 in 1997, a 19.9 percent increase. The educational services industry increased employment from 301,000 in 1988 to 339,000 in 1997, a 12.6 percent increase.

Industries employing the greatest number of GAIN workers were elementary and secondary schools (6.7 percent), medical offices and clinics (2.0 percent), skilled nursing care facilities (1.8 percent), hospitals (1.5 percent), residential care (1.2 percent), and child day care services (1.0 percent).

Business Services

The business services include two distinct groups of industries: a higher wage, "upper-tier" group that includes advertising agencies and computer and data processing services; and a low wage, "lower tier" group that includes temporary help agencies, building maintenance services, and security services. Together with the motion pictures and apparel industries, the business services are the fastest growing industry group in Los Angeles County since the 1980s. Employment increased from 208,000 in 1983 to 309,000 in 1997, a 49 percent growth rate.

There was a high concentration of GAIN workers in the lower-tier business services. The contingent character of the GAIN workforce is exemplified by the temporary help supply industry in which one in nine GAIN workers (11.1 percent) were employed. The temporary help supply industry employed more workers than any other industry. Other business services with a large number of GAIN workers were miscellaneous business services, which include security services (2.9 percent), employment agencies (2.3 percent), and building maintenance services (1.1 percent).

Personal Services

Personal service industries include laundry and garment services, beauty shops, barber shops, mortuaries, and private household services (e.g. cleaning and gardening). Employment in personal services (except private households) changed little between 1983 and 1997, rising from 36,000 in 1983 to 38,000 in 1997.

Personal service industries employing large numbers of GAIN workers included private households (3.0 percent) and beauty shops (1.1 percent).

Tourist and Entertainment Services

This broad group combines hotels and motels, motion picture production and services, and amusement and recreation services. The motion picture industry has been the fastest growing major industry in the county since the 1980s. Employment more than doubled from 62,000 in 1984 to 141,000 in 1997, a 127 percent increase. Employment in amusement and recreation services grew from 36,000 in 1983 to 51,000 in 1997, a 42 percent increase. Hotel and motel employment grew from 30,000 in 1983 to 39,000 in 1997, a 30 percent increase.

Within this group, the only significant concentration of GAIN workers was found in hotels and motels, which employed 1.2 percent of GAIN workers.

GAIN WORKERS IN RETAIL TRADE

Next to services, the major concentration of GAIN workers was in retail trade. The retail industries employed 13,678 GAIN workers, which was 23.0 percent of the total employment of GAIN workers in the third quarter of 1997.

The retail trade industries increased employment at a much slower rate than the service industries. Retail employment in Los Angeles County increased from 546,000 in 1983 to 594,000 in 1997, a 9 percent increase that was equal to the growth of total county employment between 1983 and 1997.

One in thirteen GAIN workers (7.5 percent) were employed in restaurants and other eating places. High concentrations of GAIN workers were also found in department stores (4.2 percent) and grocery stores (2.2 percent).

GAIN WORKERS IN MANUFACTURING

Compared to the workforce as a whole, GAIN workers were underrepresented in manufacturing. The higher wage durable manufacturing industries employed 3,323 GAIN workers in the third quarter of 1997, 5.6 percent of the total employment of GAIN workers. The non-durable manufacturing industries employed 5,312 GAIN workers, 8.9 percent of all GAIN workers.

Of the 8,635 GAIN workers employed in manufacturing, 3,370 (39.0 percent) were employed in apparel and textile factories. Most apparel and textile workers were found in factories making womens' and misses' clothing, accounting for 3.9 percent of total GAIN employment.

Subregions of Los Angeles County

Supporting Information for Chapter 4

In Chapter 4 of this report we divided Los Angeles County into seven subregions to study the employment outcomes of welfare recipients living in different parts of the county. The subregions are listed below with their constituent cities, City of Los Angeles districts, and major unincorporated county areas.

INNER CITY

Cities: Bell, Bell Gardens, Commerce, Compton, Cudahy, Huntington Park, Lynwood, Maywood, South Gate

City of Los Angeles Districts: Boyle Heights, Chinatown, Crenshaw, Downtown Los Angeles, Echo Park, Hyde Park, Pico-Union, Silver Lake, South Central, Westlake

County Areas: Athens, East Los Angeles, Florence-Graham, Walnut Park, West Compton, Willowbrook

LONG BEACH/ORANGE COUNTY TIER

Cities: Artesia, Bellflower, Cerritos, Downey, Hawaiian Gardens, La Habra Heights, La Mirada, Lakewood, Long Beach, Montebello, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, Signal Hill, Whittier

County Areas: Los Nietos, South Whittier

SOUTH BAY

Cities: Carson, El Segundo, Gardena, Hawthorne, Hermosa Beach, Inglewood, Lawndale, Lomita, Manhattan Beach, Palos Verdes Estates, Rancho palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Torrance

City of Los Angeles Districts: Harbor City, Harbor Gateway, San Pedro, Wilmington

County Areas: Lennox, West Carson

WESTSIDE/HOLLYWOOD

Cities: Beverly Hills, Culver City, Malibu, Santa Monica, West Hollywood

City of Los Angeles Districts: Bel Air, Beverly Glen, Brentwood, Century City, Cheviot Hills, East Hollywood, Fairfax, Hancock Park, Hollywood, Koreatown, Los Feliz, Mar Vista, Mid-City, Pacific Palisades, Palms, Park La Brea, Playa del Rey, Rancho Park, Sawtelle, Venice, Westwood, West Los Angeles

County Areas: Ladera Heights, Marina del Rey, Topanga

SAN FERNANDO VALLEY

Cities: Agoura Hills, Hidden Hills, San Fernando, Santa Clarita, Westlake Village

City of Los Angeles Districts: Arleta, Canoga Park, Chatsworth, Encino, Granada Hills, Lakeview Terrace, Mission Hills, North Hollywood, Northridge, Pacoima, Panorama City, Porter Ranch, Reseda, Sepulveda, Sherman Oaks, Studio City, Sun Valley, Sunland, Sylmar, Tarzana, Toluca Lake, Tujunga, Van Nuys, Warner Center, West Hills, Winnetka, Woodland Hills

County Areas: Agoura, Calabasas, Universal City

BURBANK/GLENDALE/PASADENA

Cities: Burbank, Glendale, La Canada Flintridge, Pasadena, San Marino, South Pasadena

City of Los Angeles Districts: Eagle Rock, El Sereno, Glassell Park, Highland Park, Lincoln Heights, Mt. Washington, Montecito Heights, Monterey Hills

County Areas: Altadena, La Crescenta, Montrose

SAN GABRIEL VALLEY

Cities: Alhambra, Arcadia, Azusa, Baldwin Park, Bradbury, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Industry, Irwindale, La Puente, La Verne, Monterey Park, Monrovia, Pomona, Rosemead, San Dimas, San Gabriel, Sierra Madre, South El Monte, Temple City, Walnut, West Covina

County Areas: Bassett, East San Gabriel, Hacienda Heights, Rowland Heights, South San Gabriel, Valinda

Supporting Data for Graphs

Table numbers in the Appendix correspond with Figure numbers in the report.

Table 1

Percent of GAIN Workers Who Had Earnings – Pre-GAIN vs. Post-GAIN

Year and Quarter of First GAIN Job	Number with Earnings: Through GAIN-Had Earnings	Number with Earnings: Not Through GAIN-Had Earnings	Number with Earnings: Total with Earnings	Total GAIN Workers: Total Through GAIN	Total GAIN Workers: Total Not Through GAIN	Total GAIN Workers: Total GAIN Workers	Percent with Earnings: Through GAIN	Percent with Earnings: Not Through GAIN	Percent with Earnings: Percent with Earnings
1990-1	252	30,434	30,686	467	98,927	99,394	54%	31%	31%
1990-2	548	30,334	30,882	925	98,469	99,394	59%	31%	31%
1990-3	776	29,774	30,550	1,385	98,009	99,394	56%	30%	31%
1990-4	1,252	29,118	30,370	2,180	97,214	99,394	57%	30%	31%
1991-1	1,707	26,399	28,106	3,158	96,236	99,394	54%	27%	28%
1991-2	2,207	25,582	27,789	4,003	95,391	99,394	55%	27%	28%
1991-3	2,592	24,887	27,479	4,802	94,592	99,394	54%	26%	28%
1991-4	3,012	24,417	27,429	5,447	93,947	99,394	55%	26%	28%
1992-1	3,075	22,167	25,242	5,939	93,455	99,394	52%	24%	25%
1992-2	3,254	21,866	25,120	6,362	93,032	99,394	51%	24%	25%
1992-3	3,520	21,335	24,855	7,013	92,381	99,394	50%	23%	25%
1992-4	4,024	21,694	25,718	7,665	91,729	99,394	52%	24%	26%
1993-1	4,281	20,109	24,390	8,389	91,005	99,394	51%	22%	25%
1993-2	4,812	19,951	24,763	9,192	90,202	99,394	52%	22%	25%
1993-3	5,336	19,412	24,748	10,169	89,225	99,394	52%	22%	25%
1993-4	6,488	20,202	26,690	11,636	87,758	99,394	56%	23%	27%
1994-1	7,874	18,842	26,716	14,303	85,091	99,394	55%	22%	27%
1994-2	10,139	18,536	28,675	17,741	81,653	99,394	57%	23%	29%
1994-3	12,597	18,521	31,118	21,838	77,556	99,394	58%	24%	31%
1994-4	15,629	18,709	34,338	26,324	73,070	99,394	59%	26%	35%
1995-1	17,284	17,223	34,507	30,539	68,855	99,394	57%	25%	35%
1995-2	19,941	16,756	36,697	35,331	64,063	99,394	56%	26%	37%
1995-3	22,470	16,061	38,531	40,155	59,239	99,394	56%	27%	39%
1995-4	25,609	15,708	41,317	44,867	54,527	99,394	57%	29%	42%
1996-1	27,840	13,881	41,721	49,753	49,641	99,394	56%	28%	42%
1996-2	31,037	12,790	43,827	55,026	44,368	99,394	56%	29%	44%
1996-3	33,230	10,756	43,986	60,987	38,407	99,394	54%	28%	44%
1996-4	40,633	10,428	51,061	67,785	31,609	99,394	60%	33%	51%
1997-1	45,219	6,904	52,123	76,662	22,732	99,394	59%	30%	52%
1997-2	52,413	4,457	56,870	85,675	13,719	99,394	61%	32%	57%
1997-3	57,213	2,121	59,334	93,083	6,311	99,394	61%	34%	60%
1997-4	62,027	0	62,027	99,394	0	99,394	62%		62%
1998-1	58,640	0	58,640	99,394	0	99,394	59%		59%

Table 2 and 3

Summary of Earnings by Year of First GAIN Job

Average earnings CURRENT YEAR DOLLARS of those who worked each year

First GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$3,781	$6,464	$7,240	$7,656	$8,244	$9,112	$9,751	$10,812
1991	$4,043	$4,197	$6,887	$7,752	$8,173	$9,029	$9,903	$10,707
1992	$4,348	$3,497	$4,022	$7,130	$8,096	$9,166	$9,920	$11,298
1993	$5,914	$5,243	$3,983	$4,167	$7,967	$9,203	$10,517	$11,802
1994	$6,818	$6,205	$5,299	$3,939	$4,102	$7,454	$8,894	$10,583
1995	$7,409	$7,211	$6,593	$5,656	$4,630	$4,257	$7,264	$9,162
1996	$7,936	$7,963	$7,560	$6,856	$6,128	$5,052	$4,831	$8,669
1997	$7,748	$7,766	$7,507	$6,890	$6,197	$5,737	$4,946	$5,751

Average earnings CONSTANT 1997 DOLLARS of those who worked each year

First GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$4,451	$7,314	$7,907	$8,151	$8,661	$9,431	$9,905	$10,812
1991	$4,760	$4,750	$7,522	$8,252	$8,586	$9,344	$10,060	$10,707
1992	$5,119	$3,958	$4,393	$7,590	$8,505	$9,487	$10,077	$11,298
1993	$6,963	$5,932	$4,350	$4,436	$8,370	$9,525	$10,684	$11,802
1994	$8,027	$7,021	$5,788	$4,193	$4,310	$7,714	$9,035	$10,583
1995	$8,723	$8,159	$7,200	$6,022	$4,864	$4,406	$7,379	$9,162
1996	$9,343	$9,011	$8,256	$7,298	$6,438	$5,228	$4,908	$8,669
1997	$9,122	$8,788	$8,199	$7,334	$6,510	$5,937	$5,024	$5,751

Average earnings CURRENT YEAR DOLLARS of all people with first job in year

First GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$2,530	$4,169	$3,998	$4,056	$4,512	$4,999	$5,421	$6,170
1991	$1,375	$2,923	$4,431	$4,513	$4,761	$5,328	$5,838	$6,575
1992	$1,545	$1,113	$2,951	$5,050	$5,457	$6,269	$6,807	$7,865
1993	$2,465	$1,984	$1,405	$3,168	$6,095	$6,656	$7,508	$8,592
1994	$2,990	$2,224	$1,714	$1,248	$3,063	$5,344	$6,035	$7,329
1995	$3,245	$2,660	$2,039	$1,702	$1,521	$3,115	$5,051	$6,300
1996	$3,730	$3,415	$2,966	$2,531	$2,424	$2,191	$3,859	$6,685
1997	$3,219	$2,985	$2,720	$2,449	$2,294	$2,264	$2,202	$4,658

Average earnings CONSTANT 1997 DOLLARS of all people with first job in year

First GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$2,979	$4,717	$4,367	$4,318	$4,740	$5,174	$5,507	$6,170
1991	$1,619	$3,307	$4,840	$4,804	$5,001	$5,514	$5,931	$6,575
1992	$1,819	$1,260	$3,223	$5,376	$5,733	$6,488	$6,915	$7,865
1993	$2,902	$2,245	$1,535	$3,373	$6,403	$6,889	$7,627	$8,592
1994	$3,520	$2,517	$1,872	$1,329	$3,217	$5,531	$6,131	$7,329
1995	$3,821	$3,010	$2,227	$1,811	$1,598	$3,224	$5,131	$6,300
1996	$4,391	$3,865	$3,239	$2,694	$2,547	$2,267	$3,920	$6,685
1997	$3,789	$3,378	$2,970	$2,607	$2,410	$2,343	$2,237	$4,658

Percent of GAIN participants working each year

First GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	67%	64%	55%	53%	55%	55%	56%	57%
1991	34%	70%	64%	58%	58%	59%	59%	61%
1992	36%	32%	73%	71%	67%	68%	69%	70%
1993	42%	38%	35%	76%	77%	72%	71%	73%
1994	44%	36%	32%	32%	75%	72%	68%	69%
1995	44%	37%	31%	30%	33%	73%	70%	69%
1996	47%	43%	39%	37%	40%	43%	80%	77%
1997	42%	38%	36%	36%	37%	39%	45%	81%

Table 4

Average Monthly Earnings and Change in Earnings and Cost of Living

Year and Quarter	Quarterly CPI Los Angeles	Quarterly Conversion Factor for Constant 1997 $	% CPA Change from 1st Quarter 1990	Average Monthly Earnings Current Year $	Percent Change in Monthly Earnings from 1st Qtr. '90	Average Monthly Earnings in 1997 $	Percent Change in Earning ('97 $) From 1st Qtr. 1990	Percent of GAIN Workers With Earnings
1990-1	133.4	1.1994	0.0%	$846	0%	$1,015	0.0%	31%
1990-2	134.6	1.1887	0.9%	$862	2%	$1,025	1.0%	31%
1990-3	136.5	1.1719	2.3%	$850	0%	$996	-1.9%	31%
1990-4	138.9	1.1516	4.0%	$866	2%	$998	-1.7%	31%
1991-1	139.9	1.1439	4.6%	$851	1%	$973	-4.1%	28%
1991-2	140.8	1.1366	5.2%	$858	1%	$975	-3.9%	28%
1991-3	141.9	1.1273	6.0%	$842	-1%	$949	-6.5%	28%
1991-4	143.2	1.1176	6.8%	$863	2%	$964	-5.0%	28%
1992-1	144.9	1.1042	7.9%	$835	-1%	$922	-9.1%	25%
1992-2	146.0	1.0959	8.6%	$842	-0%	$923	-9.1%	25%
1992-3	147.0	1.0884	9.3%	$820	-3%	$892	-12.1%	25%
1992-4	148.3	1.0791	10.0%	$835	-1%	$901	-11.3%	26%
1993-1	149.7	1.0690	10.9%	$749	-11%	$800	-21.1%	25%
1993-2	149.9	1.0674	11.0%	$785	-7%	$838	-17.5%	25%
1993-3	150.0	1.0669	11.0%	$772	-9%	$824	-18.8%	25%
1993-4	151.5	1.0563	11.9%	$778	-8%	$821	-19.1%	27%
1994-1	152.3	1.0506	12.4%	$705	-17%	$740	-27.1%	27%
1994-2	151.6	1.0556	12.0%	$736	-13%	$777	-23.5%	29%
1994-3	152.1	1.0517	12.3%	$726	-14%	$764	-24.7%	31%
1994-4	153.2	1.0442	12.9%	$732	-14%	$764	-24.7%	35%
1995-1	154.5	1.0358	13.6%	$714	-16%	$740	-27.1%	35%
1995-2	154.9	1.0331	13.9%	$726	-14%	$750	-26.1%	37%
1995-3	154.5	1.0356	13.7%	$699	-17%	$724	-28.7%	39%
1995-4	154.7	1.0340	13.8%	$742	-12%	$768	-24.4%	42%
1996-1	156.4	1.0230	14.7%	$726	-14%	$742	-26.9%	42%
1996-2	157.3	1.0172	15.2%	$753	-11%	$766	-24.5%	44%
1996-3	157.7	1.0146	15.4%	$762	-10%	$773	-23.8%	44%
1996-4	158.5	1.0095	15.8%	$820	-3%	$828	-18.4%	51%
1997-1	159.4	1.0040	16.3%	$802	-5%	$805	-20.7%	52%
1997-2	159.6	1.0025	16.4%	$853	1%	$856	-15.7%	57%
1997-3	159.9	1.0006	16.6%	$884	4%	$884	-12.9%	60%
1997-4	161.0	0.9938	17.1%	$983	16%	$977	-3.7%	62%
1998-1	161.2	0.9928	17.2%	$986	17%	$978	-3.6%	59%

Table 5

Average Quarterly Earnings of All GAIN Workers by Quarter of First GAIN Job

Constant 1997 Dollars

	Quarterly Earnings of Those Who Worked			Monthly Earnings of Those Who Worked *(quarterly income divided by 3)*		
Year and Quarter	Worked and *Had First* GAIN Job	Worked but Did Not Have First GAIN Job	Average Earnings of Everybody Who Worked	Worked and *Had First* GAIN Job	Worked but Did Not Have First GAIN Job	Average Earnings of Everybody Who Worked
1990-1	$1,449	$3,057	$3,044	$483	$1,019	$1,015
1990-2	$1,834	$3,097	$3,075	$611	$1,032	$1,025
1990-3	$1,889	$3,015	$2,986	$630	$1,005	$995
1990-4	$1,981	$3,036	$2,992	$660	$1,012	$997
1991-1	$1,918	$2,985	$2,920	$639	$995	$973
1991-2	$2,032	$3,002	$2,925	$677	$1,001	$975
1991-3	$2,027	$2,932	$2,846	$676	$977	$949
1991-4	$2,195	$2,978	$2,892	$732	$993	$964
1992-1	$2,165	$2,851	$2,767	$722	$950	$922
1992-2	$2,297	$2,839	$2,769	$766	$946	$923
1992-3	$2,192	$2,757	$2,677	$731	$919	$892
1992-4	$2,361	$2,765	$2,702	$787	$922	$901
1993-1	$2,182	$2,448	$2,401	$727	$816	$800
1993-2	$2,332	$2,556	$2,513	$777	$852	$838
1993-3	$2,283	$2,522	$2,471	$761	$841	$824
1993-4	$2,403	$2,484	$2,464	$801	$828	$821
1994-1	$2,159	$2,247	$2,221	$720	$749	$740
1994-2	$2,259	$2,369	$2,330	$753	$790	$777
1994-3	$2,266	$2,310	$2,292	$755	$770	$764
1994-4	$2,322	$2,267	$2,292	$774	$756	$764
1995-1	$2,282	$2,157	$2,220	$761	$719	$740
1995-2	$2,341	$2,144	$2,251	$780	$715	$750
1995-3	$2,297	$1,994	$2,171	$766	$665	$724
1995-4	$2,464	$2,040	$2,303	$821	$680	$768
1996-1	$2,382	$1,916	$2,227	$794	$639	$742
1996-2	$2,461	$1,905	$2,299	$820	$635	$766
1996-3	$2,485	$1,812	$2,321	$828	$604	$774
1996-4	$2,645	$1,861	$2,485	$882	$620	$828
1997-1	$2,519	$1,736	$2,415	$840	$579	$805
1997-2	$2,633	$1,796	$2,567	$878	$599	$856
1997-3	$2,692	$1,633	$2,654	$897	$544	$885
1997-4	$2,932		$2,932	$977		$977
1998-1	$2,936		$2,936	$979		$979

Table 6

Average Annual Earnings 1990 to 1997 – GAIN Workers vs. All Jobs in L. A. County

	Los Angeles County *Current Year Dollars*		Los Angeles County *Constant 1997 Dollars*		
Year	GAIN Workers With Earnings	All Jobs	GAIN Workers With Earnings	All Jobs	Factors for Constant 1997$
1990	$7,236	$28,155	$8,519	$33,148	1.17733628
1991	$7,096	$29,296	$8,030	$33,150	1.13154173
1992	$6,770	$30,763	$7,394	$33,598	1.09215017
1993	$6,192	$30,972	$6,591	$32,971	1.06453759
1994	$5,784	$31,179	$6,076	$32,755	1.05055811
1995	$6,047	$31,845	$6,258	$32,957	1.03492885
1996	$6,633	$32,900	$6,738	$33,422	1.01587302
1997	$8,274	$34,273	$8,274	$34,273	1.00000000

Table 7

Average Earnings of Women 24-33 Years, 12 Years of Education-1990-97

Year of 1st	*Number of GAIN Workers with Earnings Each Year*								TOTAL #
GAIN Job	1990	1991	1992	1993	1994	1995	1996	1997	WORKERS
1990	106	102	94	88	94	89	95	100	140
1991	167	326	296	276	275	272	281	286	438
1992	116	101	240	240	218	228	222	221	310
1993	197	169	171	398	398	376	379	388	512
1994	786	588	533	531	1,469	1,393	1,337	1,368	1,892
1995	843	659	536	521	582	1,417	1,340	1,326	1,842
1996	992	860	800	696	749	847	1,708	1,636	2,105
1997	1,068	939	847	812	827	846	963	2,059	2,489

Year of 1st	Percent of GAIN Workers with Earnings Each Year							
GAIN	1990	1991	1992	1993	1994	1995	1996	1997
1990	76%	73%	67%	63%	67%	64%	68%	71%
1991	38%	74%	68%	63%	63%	62%	64%	65%
1992	37%	33%	77%	77%	70%	74%	72%	71%
1993	38%	33%	33%	78%	78%	73%	74%	76%
1994	42%	31%	28%	28%	78%	74%	71%	72%
1995	46%	36%	29%	28%	32%	77%	73%	72%
1996	47%	41%	38%	33%	36%	40%	81%	78%
1997	43%	38%	34%	33%	33%	34%	39%	83%

Table 7 Continued

Average Earnings of Women 24-33 Years, 12 Years of Education-1990-97

Year of 1st	Annual Earnings CURRENT YEAR DOLLARS of Participants who Worked During the Year							
GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$3,618	$7,571	$7,505	$8,190	$8,500	$10,700	$11,833	$12,455
1991	$3,940	$4,410	$7,429	$8,263	$8,747	$9,751	$10,431	$11,184
1992	$4,350	$3,476	$3,961	$7,545	$9,386	$10,164	$11,749	$13,155
1993	$5,231	$4,747	$3,410	$4,124	$8,641	$9,247	$10,878	$12,238
1994	$5,930	$5,217	$4,463	$3,447	$3,983	$7,548	$8,823	$10,503
1995	$7,297	$7,032	$6,477	$5,334	$3,838	$4,081	$7,554	$9,462
1996	$8,597	$8,776	$8,112	$7,571	$6,199	$4,588	$4,550	$8,616
1997	$8,686	$8,548	$8,385	$7,510	$6,566	$5,806	$4,995	$5,606

Year of 1st	Annual Earnings CONSTANT 1997 DOLLARS of Participants who Worked During the Year							
GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$4,259	$8,567	$8,197	$8,718	$8,929	$11,074	$12,021	$12,455
1991	$4,639	$4,990	$8,113	$8,796	$9,189	$10,091	$10,597	$11,184
1992	$5,122	$3,934	$4,326	$8,032	$9,861	$10,519	$11,935	$13,155
1993	$6,159	$5,371	$3,724	$4,390	$9,078	$9,570	$11,051	$12,238
1994	$6,982	$5,903	$4,875	$3,669	$4,184	$7,812	$8,963	$10,503
1995	$8,591	$7,957	$7,074	$5,678	$4,032	$4,224	$7,674	$9,462
1996	$10,121	$9,930	$8,859	$8,060	$6,513	$4,748	$4,622	$8,616
1997	$10,226	$9,672	$9,157	$7,995	$6,898	$6,009	$5,074	$5,606

Year of 1st	Average Annual Earnings CURRENT YEAR DOLLARS (Total Earnings/All Participants)							
GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$2,739	$5,516	$5,039	$5,148	$5,707	$6,802	$8,030	$8,896
1991	$1,502	$3,282	$5,020	$5,207	$5,492	$6,055	$6,692	$7,302
1992	$1,628	$1,133	$3,066	$5,841	$6,601	$7,475	$8,414	$9,378
1993	$2,013	$1,567	$1,139	$3,206	$6,717	$6,791	$8,053	$9,274
1994	$2,464	$1,621	$1,257	$967	$3,093	$5,557	$6,235	$7,594
1995	$3,340	$2,516	$1,885	$1,509	$1,213	$3,140	$5,496	$6,811
1996	$4,051	$3,585	$3,083	$2,503	$2,206	$1,846	$3,692	$6,697
1997	$3,727	$3,225	$2,853	$2,450	$2,182	$1,973	$1,932	$4,638

Year of 1st	Average Annual Earnings CONSTANT 1997 DOLLARS (Total Earnings/All Participants)							
GAIN Job	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
1990	$3,225	$6,242	$5,503	$5,480	$5,995	$7,040	$8,157	$8,896
1991	$1,769	$3,714	$5,483	$5,543	$5,769	$6,267	$6,798	$7,302
1992	$1,917	$1,282	$3,349	$6,218	$6,935	$7,736	$8,547	$9,378
1993	$2,370	$1,773	$1,244	$3,413	$7,057	$7,028	$8,180	$9,274
1994	$2,900	$1,835	$1,373	$1,030	$3,249	$5,752	$6,334	$7,594
1995	$3,932	$2,847	$2,058	$1,606	$1,274	$3,249	$5,583	$6,811
1996	$4,770	$4,057	$3,367	$2,665	$2,317	$1,910	$3,750	$6,697
1997	$4,388	$3,649	$3,116	$2,608	$2,292	$2,042	$1,963	$4,638

Table 8 - 10

Composite Employment Outcomes of Eight Annual Cohorts of GAIN Workers Aligned by Year of First Job

Years Before and After First GAIN Job	Average Earnings-All Workers-Constant '97$ Level of Education					Percent with Earnings Each Year Level of Education					% Variation from Average Earnings Level of Education				
	Limited English	0-8	9-11	12	13+	Limited English	0-8	9-11	12	13+	Limited English	0-8	9-11	12	13+
-7	$2,541	$2,651	$1,820	$3,464	$5,535	36%	37%	32%	42%	52%	-19%	-16%	-42%	10%	76%
-6	$2,436	$2,428	$1,916	$3,632	$5,199	35%	36%	32%	43%	51%	-21%	-21%	-38%	18%	69%
-5	$2,077	$2,097	$1,824	$3,352	$4,710	32%	32%	32%	42%	49%	-26%	-26%	-35%	19%	67%
-4	$1,745	$1,755	$1,544	$2,773	$4,111	29%	28%	30%	39%	45%	-28%	-27%	-36%	15%	70%
-3	$1,391	$1,346	$1,321	$2,239	$3,180	24%	23%	29%	37%	40%	-28%	-30%	-31%	16%	65%
-2	$1,076	$1,041	$1,218	$1,893	$2,410	23%	22%	30%	36%	39%	-33%	-35%	-24%	18%	50%
-1	$856	$809	$1,130	$1,533	$1,851	22%	22%	32%	37%	40%	-35%	-38%	-14%	17%	42%
0	$2,226	$2,098	$2,973	$3,672	$4,328	61%	61%	77%	79%	81%	-31%	-35%	-7%	14%	35%
+1	$3,511	$3,293	$4,836	$6,143	$7,243	59%	58%	70%	74%	76%	-33%	-37%	-8%	17%	38%
+2	$3,638	$3,220	$4,984	$6,393	$7,817	54%	52%	63%	68%	70%	-33%	-41%	-9%	17%	43%
+3	$3,972	$3,315	$5,328	$6,928	$8,283	55%	52%	60%	68%	69%	-32%	-43%	-9%	18%	42%
+4	$4,261	$3,342	$5,816	$7,526	$8,629	55%	51%	61%	68%	69%	-31%	-46%	-6%	22%	40%
+5	$4,126	$3,465	$5,890	$7,610	$9,065	52%	51%	59%	65%	67%	-34%	-44%	-5%	22%	46%
+6	$4,142	$3,592	$5,669	$7,331	$8,653	53%	49%	58%	62%	65%	-31%	-40%	-6%	22%	44%
+7	$4,134	$3,609	$5,850	$7,485	$8,158	49%	48%	57%	64%	63%	-30%	-39%	-1%	27%	38%

Note: These composite earnings and employment figures are direct averages of data from each annual cohort and were not weighted to reflect the differing sizes of the cohorts. Direct averages were used to provide proportional representation for the point in the labor market cycle when each cohort found employment as well as the selection priorities that influenced the composition of each cohort.

Number of Records Represented in Composite Profile of Earnings Before and After GAIN

Includes only Records of Women with Information about Level of Education and English Speaking Ability

Years Before and After First GAIN Job

-7	-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6	+7
Number of Annual Cohorts Represented in Each Data Point														
1	2	3	4	5	6	7	8	7	6	5	4	3	2	1
Number of Records Represented in Each Data Point														
7,035	12,291	16,222	18,697	17,823	18,742	21,244	49,622	32,491	20,639	12,259	5,056	3,029	2,036	616

Table 11 - 12

Composite Summary of Earnings Before and After Year of First GAIN Job

Years Before and After First GAIN Job	Annual Earnings Constant 1997 $ Received Education or Training	Annual Earnings Constant 1997 $ Did Not Receive Education or Training	Change in Earnings Compared to Year Before First GAIN Job	Received Education or Training	Did Not Receive Education or Training
-7	$2,491	$3,303			
-6	$2,500	$3,501			
-5	$2,350	$3,297			
-4	$2,078	$2,952			
-3	$1,658	$2,504			
-2	$1,342	$2,128			
-1	$1,221	$1,725	Year Before First GAIN Job	0%	0%
0	$3,709	$3,445	Year of First GAIN Job	204%	100%
+1	$6,402	$5,512	+1	424%	219%
+2	$6,790	$5,786	+2	456%	235%
+3	$7,720	$6,318	+3	532%	266%
+4	$8,618	$6,687	+4	606%	288%
+5	$9,298	$6,682	+5	661%	287%
+6	$8,915	$6,737	+6	630%	290%
+7	$10,120	$7,115	+7	729%	312%

Table 13

Earnings of GAIN Workers Placed in First Job in 1994 – by Income Band

Annual Earnings of Each Income Band-Constant 1997 $

Income Band	1990	1991	1992	1993	1994	1995	1996	1997
Lowest 20%	$160	$69	$50	$59	$358	$218	$126	$163
Next-to-Lowest 20%	$1,174	$454	$390	$314	$1,487	$1,821	$1,337	$2,003
Middle 20%	$2,420	$1,332	$927	$777	$2,542	$4,069	$3,920	$5,387
Next-to-Highest 20%	$3,902	$2,521	$1,780	$1,429	$4,034	$7,354	$8,476	$10,216
Highest 20%	$9,944	$8,208	$6,217	$4,066	$7,667	$14,197	$16,801	$18,881

Roll-Up of Number of Workers by Income Band and Years of Education

Years of Education

Income Band	*0-8*	*9-11*	*12*	*13+*	*Not Known*	*Grand Total*
Lowest 20%	530	988	915	223	282	2,938
Next-to-Lowest 20%	399	1,022	1,052	177	288	2,938
Middle 20%	357	919	1,093	245	324	2,938
Next-to-Highest 20%	324	782	1,162	241	428	2,937
Highest 20%	223	614	1,094	364	642	2,937
Total	1,833	4,325	5,316	1,250	1,964	14,688

Percent Distribution by Education in Each Income Band

Years of Education

Income Band	*0-8*	*9-11*	*12*	*13+*	*Not Known*	*Total*
Lowest 20%	18%	34%	31%	8%	10%	100%
Next-to-Lowest 20%	14%	35%	36%	6%	10%	100%
Middle 20%	12%	31%	37%	8%	11%	100%
Next-to-Highest 20%	11%	27%	40%	8%	15%	100%
Highest 20%	8%	21%	37%	12%	22%	100%

Table 14

Income and Education with Poverty-Level Break

		Level of Education			
Income Band	Limited English	0-8 Years	9-11 Years	12 Years	13+ Years
$0	38%	39%	33%	29%	29%
$1-4,999	25%	23%	24%	21%	17%
$5,000-8,350	15%	11%	11%	10%	9%
$8,351-9,999	4%	5%	5%	5%	4%
$10,000-14,999	9%	9%	12%	13%	13%
$15,000+	9%	13%	16%	21%	28%
Percent in Each Education Group	23%	4%	27%	36%	10%

Table 15

Number of Quarters With Earnings in 1997

Participants with First GAIN Job 1990-1994

Number of Quarters With Earnings in 1997	Percent 2 Parents	Percent 1 Parent	Number 2 Parents	Number 1 Parent
0 Quarters	36%	31%	1,992	6,475
1 Quarter	6%	7%	341	1,516
2 Quarters	6%	7%	360	1,521
3 Quarters	9%	10%	508	2,097
4 Quarters	42%	44%	2,348	9,166
Grand Total	100%	100%	5,549	20,775

Table 16

Percent Distribution of Families of GAIN Participants by Year and Family Income

for Those Whose First GAIN Job Began in or Before the First Quarter of 1995

Earnings as a Percent of the Poverty Level for Each Family 1990-1997

Family Earnings as Percent of Poverty	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
200 percent or more	0.5%	1.4%	2.4%	2.5%	2.2%	3.6%	5.9%	7.2%
150 to 199 percent	1.1%	2.6%	3.8%	3.7%	2.8%	5.0%	6.6%	7.4%
125 to 149 percent	1.3%	2.4%	3.1%	2.9%	2.6%	4.4%	5.2%	5.2%
100 to 124 percent	2.7%	3.5%	4.2%	4.2%	3.9%	6.0%	6.2%	6.6%
75 to 99 percent	3.3%	5.0%	4.8%	5.5%	5.7%	7.9%	6.8%	7.9%
50 to 74 percent	6.5%	7.8%	7.0%	7.7%	8.6%	9.3%	8.0%	8.6%
25 to 49 percent	16.4%	17.7%	16.5%	15.9%	15.5%	13.7%	11.5%	10.5%
Less than 25 percent	32.8%	25.9%	21.4%	21.6%	26.9%	17.4%	14.4%	12.7%
No earnings	35.4%	33.6%	36.8%	36.0%	31.8%	32.6%	35.5%	33.9%

Earnings for 1990 through 1994 are only for workers who were reported to have found their first GAIN job. No new workers were added to this population after the first quarter of 1995, thereby allowing time for post-GAIN increases in earnings to become apparent.

In families with two GAIN workers, earnings of both workers were combined in computing family income.

Table 17

Employment Change-GAIN Workers and Los Angeles County Labor Force

Year and Quarter	Percent Change from First Quarter 1990 GAIN Workers	Total LA County Employment
90-1	0%	0.0%
90-2	1%	0.20%
90-3	0%	-1.47%
90-4	-1%	-0.77%
91-1	-8%	-3.75%
91-2	-9%	-3.94%
91-3	-10%	-5.13%
91-4	-11%	-4.16%
92-1	-18%	-8.13%
92-2	-18%	-8.13%
92-3	-19%	-9.49%
92-4	-16%	-8.51%
93-1	-21%	-10.34%
93-2	-19%	-10.97%
93-3	-19%	-11.48%
93-4	-13%	-10.85%
94-1	-13%	-11.62%
94-2	-7%	-10.93%
94-3	1%	-11.53%
94-4	12%	-9.89%
95-1	12%	-10.27%
95-2	20%	-9.71%
95-3	26%	-10.55%
95-4	35%	-8.89%
96-1	36%	-9.98%
96-2	43%	-8.77%
96-3	43%	-9.31%
96-4	66%	-7.33%
97-1	70%	-8.12%
97-2	85%	-6.99%
97-3	93%	-7.36%
97-4	102%	-5.23%
98-1	91%	-5.44%

GAIN employment data for the first quarter of 1998 is preliminary.

Table 18

Change in GAIN Earnings and Los Angeles County Employment

Year and Quarter	GAIN Workers with Jobs Monthly Earnings Constant 1997 $	GAIN Workers with Jobs % Change from 1st Quarter 1990	Total LA County Employment Quarterly Average Employment	Total LA County Employment % Change from 1st Quarter 1990
1990-1	$1,015	0.0%	4,165,500	0%
1990-2	$1,025	1.0%	4,174,000	0.2%
1990-3	$996	-1.9%	4,104,100	-1.5%
1990-4	$998	-1.7%	4,133,600	-0.8%
1991-1	$973	-4.1%	4,009,400	-3.7%
1991-2	$975	-3.9%	4,001,500	-3.9%
1991-3	$949	-6.5%	3,952,000	-5.1%
1991-4	$964	-5.0%	3,992,400	-4.2%
1992-1	$922	-9.1%	3,826,900	-8.1%
1992-2	$923	-9.1%	3,826,800	-8.1%
1992-3	$892	-12.1%	3,770,000	-9.5%
1992-4	$901	-11.3%	3,810,900	-8.5%
1993-1	$800	-21.1%	3,734,800	-10.3%
1993-2	$838	-17.5%	3,708,500	-11.0%
1993-3	$824	-18.8%	3,687,500	-11.5%
1993-4	$821	-19.1%	3,713,400	-10.9%
1994-1	$740	-27.1%	3,681,300	-11.6%
1994-2	$777	-23.5%	3,710,300	-10.9%
1994-3	$764	-24.7%	3,685,300	-11.5%
1994-4	$764	-24.7%	3,753,600	-9.9%
1995-1	$740	-27.1%	3,737,700	-10.3%
1995-2	$750	-26.1%	3,761,100	-9.7%
1995-3	$724	-28.7%	3,726,200	-10.5%
1995-4	$768	-24.4%	3,795,300	-8.9%
1996-1	$742	-26.9%	3,749,700	-10.0%
1996-2	$766	-24.5%	3,800,000	-8.8%
1996-3	$773	-23.8%	3,777,800	-9.3%
1996-4	$828	-18.4%	3,860,000	-7.3%
1997-1	$805	-20.7%	3,827,300	-8.1%
1997-2	$856	-15.7%	3,874,500	-7.0%
1997-3	$884	-12.9%	3,859,100	-7.4%
1997-4	$977	-3.7%	3,947,800	-5.2%
1998-1	$978	-3.6%	3,938,800	-5.4%

GAIN earnings are based on the total population of GAIN workers without regard to whether they have entered GAIN.

Table 19

Changes in Total Wage and Salary Employment for Los Angeles County And GAIN Earnings and Employment

Quarter-to-Quarter Percent Changes, 1990 to 1997

Year and Quarter	Los Angeles County Employment Change	GAIN Employment Change	GAIN Wage Change
90-3	-0.32%	-0.18%	-0.05%
90-4	-0.61%	-0.69%	-0.53%
91-1	-0.98%	-3.92%	-3.80%
91-2	-1.38%	-4.50%	-4.96%
91-3	-0.94%	-1.28%	-1.76%
91-4	-0.36%	-0.62%	-0.36%
92-1	-1.17%	-4.03%	-4.30%
92-2	-1.88%	-4.41%	-5.66%
92-3	-1.09%	-0.78%	-1.84%
92-4	-0.43%	1.20%	0.65%
93-1	-0.49%	-0.98%	-5.04%
93-2	-1.07%	-2.03%	-5.13%
93-3	-0.76%	0.77%	2.27%
93-4	-0.11%	4.05%	3.65%
94-1	-0.19%	3.96%	-0.51%
94-2	-0.06%	3.87%	0.85%
94-3	0.15%	8.09%	9.45%
94-4	0.35%	9.59%	9.39%
95-1	0.44%	5.20%	4.46%
95-2	0.27%	3.19%	3.08%
95-3	0.14%	5.41%	4.30%
95-4	0.33%	6.14%	7.46%
96-1	0.25%	3.95%	5.88%
96-2	0.11%	2.80%	3.66%
96-3	0.37%	5.29%	18.52%
96-4	0.62%	7.96%	11.76%
97-1	0.56%	5.73%	-0.53%
97-2	0.42%	5.48%	7.73%
97-3	0.53%	6.52%	11.53%
97-4	0.75%	4.29%	12.15%

Table 20

Forty-five Industries Employing the Most GAIN Workers1990-1997

Industry Name and 3-Digit SIC	*Percent of Total GAIN Employment 1990-1997*	*Percentage Point Change 1990-1997*
Personnel Supply Services 736	9.8%	6.5%
Eating and Drinking Places 581	8.9%	-3.5%
Elementary & Secondary Sch. 821	5.9%	2.6%
Department Stores 531	4.0%	0.6%
Misc. Business Services 738	3.8%	1.6%
Women's Outerwear 233	3.4%	-0.4%
Grocery Stores 541	2.2%	-0.5%
Nursing Care Facilities 805	2.2%	0.3%
Public Exec. & Legislative Off. 913	1.6%	0.1%
Doctors' Offices 801	1.6%	0.5%
Private Households 881	1.5%	1.2%
Hospitals 806	1.4%	0.4%
Misc. Shopping Goods 594	1.3%	0.1%
Hotels and Motels 701	1.1%	-0.2%
Services to Dwellings 734	1.0%	0.0%
Management & Public Relations 874	0.9%	0.3%
Residential Care 836	0.9%	0.5%
Beauty Shops 723	0.9%	0.3%
Miscellaneous Retail 539	0.9%	0.0%
Child Care 835	0.9%	0.4%
Motion Picture Production 781	0.8%	0.0%
Miscellaneous Amusement 799	0.8%	0.0%
Groceries-Wholesale 514	0.8%	-0.1%
Commercial Banks 602	0.7%	-0.7%
School Buses 415	0.7%	0.4%
Real Estate Agents 653	0.7%	0.1%
Automotive Repair Shops 753	0.7%	0.0%
Drug Stores 591	0.6%	-0.2%
Trucking 421	0.6%	-0.1%
Family Clothing Stores 565	0.6%	0.1%
Dentists' Offices 802	0.6%	0.3%
Gasoline Service Stations 554	0.6%	0.1%
Colleges 822	0.6%	0.2%
Women's Clothing Stores 562	0.6%	-0.2%
Misc. Durables-Wholesale 509	0.6%	0.0%
Miscellaneous Plastic Products 308	0.6%	-0.4%
Laundry and Cleaning Services 721	0.6%	-0.2%
Social Services 832	0.5%	0.2%
Apparel-Wholesale 513	0.5%	-0.2%
Household Furniture 251	0.5%	-0.2%
Accounting & Bookkeeping 872	0.5%	0.0%
Miscellaneous Fabricated Textiles 239	0.5%	-0.2%
Real Estate Operators 651	0.5%	-0.1%
Misc. Nondurables-Wholesale 519	0.5%	-0.0%
Aircraft and Parts 372	0.5%	-0.9%

Table 21
OVERVIEW OF INDUSTRY STRUCTURE
Industries Employing GAIN Workers in 1997

Industry	***% of GAIN Workers in 1997***
MINING	0.03%
CONSTRUCTION	1.96%
MANUFACTURING	12.84%
Durable Goods	4.97%
Nondurable Goods	7.87%
Apparel	4.72%
TRANS., COM., UTILITIES	3.97%
WHOLESALE TRADE	4.72%
RETAIL TRADE	21.90%
Eating & drinking places	7.07%
FINANCE, INS., REAL ESTATE	3.25%
SERVICES	49.66%
Hotels & lodging places	1.06%
Beauty shops	1.01%
Building cleaning	0.91%
Personnel services	12.64%
Security guards	1.77%
Health services	7.46%
Elementary & secondary schools	5.90%
Social services	3.34%
Private households	2.39%
PUBLIC ADMINISTRATION	1.59%

Tables 22-26

Characteristics of Major Industries Employing GAIN Workers - 4-Digit SIC

Data for Third Quarter of 1997

4-Digit SIC	Industry Title	Industry Distribution	Average Earnings of GAIN Workers in Industry	Ratio of Average Earnings in Industry to LA County Average Earnings	Ratio of Average Earnings of GAIN Workers to All Workers in Industry	Concentration of GAIN Workers in Industry Compared to all Workers in LA County
2339	Womens' and misses' outerwear	4%	$1,518	0.44	0.46	4.08
5311	Department stores	4%	$2,082	0.44	0.63	3.27
5411	Grocery stores	2%	$2,373	0.68	0.46	1.24
5812	Eating places	8%	$1,689	0.34	0.66	1.31
7011	Hotels and motels	1%	$2,526	0.55	0.62	1.09
7231	Beauty shops	1%	$1,679	0.41	0.54	4.37
7349	Building maintenance services	1%	$1,735	0.46	0.50	1.68
7361	Employment agencies	2%	$1,560	0.65	0.32	8.46
7363	Help supply services	11%	$1,580	0.51	0.42	3.42
7381	Detective and armored car services	2%	$2,399	0.46	0.69	1.93
7389	Business services, nec	3%	$1,749	0.79	0.30	3.72
8011	Medical offices and clinics	2%	$3,341	1.48	0.30	1.14
8051	Skilled nursing care facilities	2%	$2,283	0.55	0.56	1.73
8062	General medical and surgical hospitals	1%	$4,286	1.14	0.50	0.37
8211	Elementary and secondary schools	7%	$1,693	0.67	0.34	1.24
8351	Child day care services	1%	$1,992	0.45	0.59	3.04
8361	Residential care	1%	$2,424	0.52	0.62	2.68
8811	Private households	3%	$1,452	0.57	0.34	14.29

Table 28 and 34

Percent of GAIN Workers and Average Monthly Earnings by Community in 1997

Community	*Percent of GAIN Workers*	*Average Monthly Earnings*	*Community*	*Percent of GAIN Workers*	*Average Monthly Earnings*
ALHAMBRA	1.5%	488	LYNWOOD	1.1%	521
ALTADENA	0.5%	599	MAYWOOD	0.4%	488
ARCADIA	0.2%	582	MISSION HILLS	0.2%	671
AZUSA	0.8%	529	MONROVIA	0.7%	627
BALDWIN PARK	1.3%	510	MONTEBELLO	1.0%	509
BELL	0.6%	482	MONTEREY PARK	1.0%	488
BELL GARDENS	1.0%	520	NORTH HOLLYWOOD	2.2%	461
BELLFLOWER	1.0%	534	NORTHRIDGE	0.4%	544
BURBANK	1.0%	473	NORWALK	1.1%	594
CANOGA PARK	1.0%	565	PACOIMA	1.0%	576
CANYON COUNTRY	0.2%	678	PALMDALE	0.8%	460
CARSON	0.7%	675	PANORAMA CITY	0.8%	553
CITY OF COMMERCE	0.2%	571	PARAMOUNT	1.0%	567
CLAREMONT	0.2%	578	PASADENA	2.0%	510
COMPTON	2.4%	536	PICO RIVERA	0.9%	528
COVINA	0.9%	535	POMONA	2.6%	515
CUDAHY	0.5%	555	REDONDO BEACH	0.2%	605
CULVER CITY	0.3%	528	RESEDA	0.6%	527
DOWNEY	0.9%	537	ROSEMEAD	1.7%	477
DUARTE	0.3%	568	ROWLAND HEIGHTS	0.3%	577
EL MONTE	2.8%	476	SAN DIMAS	0.2%	619
GARDENA	0.9%	573	SAN FERNANDO	0.4%	739
GLENDALE	4.0%	332	SAN GABRIEL	1.0%	512
GLENDORA	0.3%	625	SAN VALLEY	0.5%	574
GRANADA HILLS	0.2%	593	SANTA FE SPRINGS	0.2%	605
HACIENDA HEIGHTS	0.3%	678	SANTA MONICA	0.2%	545
HARBOR CITY	0.2%	625	SHERMAN OAKS	0.2%	737
HAWAIIAN GARDEN	0.2%	543	SOUTH EL MONTE	0.2%	565
HAWTHORNE	1.5%	587	SOUTH GATE	1.4%	520
HUNTINGTON PARK	1.1%	495	SYLMAR	0.7%	612
INGLEWOOD	1.9%	572	TEMPLE CITY	0.3%	582
LA MIRADA	0.2%	537	TORRANCE	0.8%	549
LA PUENTE	1.6%	533	TUJUNGA	0.4%	425
LA VERNE	0.2%	635	VALINDA	0.2%	500
LAKEWOOD	0.5%	658	VAN NUYS	2.0%	518
LANCASTER	1.1%	483	WEST COVINA	1.3%	567
LAWNDALE	0.5%	494	WHITTIER	1.6%	550
LONG BEACH	6.3%	507	WILMINGTON	0.6%	568
LOS ANGELES	25.2%	488	BALANCE-LA COUNTY	3.0%	540
			TOTAL-LA COUNTY	100.0%	$514

Note: This file was produced using city names from the address records of GAIN participants.

Tables 27, 29-33, 35-37

Subregional Data

	27	29	30	31	32	33	35	36	37	
			Distribution of Total Industry Employment by Subregion							
Subregion	Number GAIN Workers	Index of Repre-sentation	Eating and Drinking Places	Education	Apparel and Textiles	Business Services	GAIN Employment Rate	GAIN Earnings	*Eating and Drinking Earnings* All Workers	GAIN Workers
Burbank/Glendale/Pasadena	10,511	1.07	8.8%	9.2%	5.5%	24.7%	65.6%	$8,102	$13,117	$7,673
Inner City	25,195	1.32	11.1%	26.7%	66.5%	9.9%	68.0%	$8,829	$10,694	$7,066
Long Beach/Orange Tier	13,395	1.13	12.7%	12.6%	3.3%	9.8%	72.1%	$8,851	$10,865	$7,182
San Fernando Valley	12,304	1.02	13.6%	9.1%	7.3%	12.8%	70.6%	$9,246	$11,254	$7,852
San Gabriel Valley	19,807	1.80	8.8%	13.6%	9.4%	8.0%	73.5%	$8,562	$10,628	$7,024
South Bay	9,645	0.75	15.4%	8.0%	3.4%	11.4%	72.5%	$9,537	$11,995	$7,727
Westside/Hollywood	4,707	0.32	19.9%	15.1%	3.9%	21.1%	63.2%	$8,702	$13,403	$7,367

Note: GAIN earnings data is for 1997 and only for individuals earning $500 or more in 1997.
Subregional data was created using ZIP codes from records of GAIN participants.

Table 38

Average 1997 Earnings of Employed GAIN Workers by Ethnic and Immigrant Group

TOTAL	$8,768
US Citizen/Settled Immigrant	$9,243
Recent Immigrant	$8,007
LATINO	$8,912
US Citizen/Settled Immigrant	$9,187
Recent Immigrant	$8,653
EUROPEAN-AMERICAN	$8,781
US Citizen/Settled Immigrant	$9,632
Recent Immigrant	$6,882
ASIAN	$6,624
US Citizen/Settled Immigrant	$8,380
Recent Immigrant	$6,132

Note: Earnings are for employed individuals who earned $500 or more in 1997.

Tables 39 and 40

Community Comparison - GAIN Workers in Glendale and Van Nuys

	Glendale	*Van Nuys*
AGE		
18-24	1.9%	9.0%
25-34	17.2%	35.1%
35-44	41.2%	39.9%
45-54	26.4%	14.5%
55+	3.3%	1.5%
GENDER		
Female	38.9%	77.2%
Male	61.1%	22.8%
ETHNICITY		
European	86.7%	30.2%
Latino	10.6%	44.1%
African	7.0%	21.2%
Asian/Pacific	2.0%	4.5%
ENGLISH ABILITY		
Good	55.6%	77.5%
Poor	44.4%	22.5%
US CITIZENSHIP		
US Citizen	38.1%	61.4%
Not a US Citizen	61.9%	38.6%
EDUCATION		
Some College	15.9%	11.8%
High School	41.6%	33.5%
Some High School	28.5%	35.4%
No High School	14.0%	19.2%

Table 41

Age Distribution of GAIN Workers

Age	All GAIN Participants
18-24	8.6%
25-34	33.3%
35-44	38.3%
45-54	17.0%
55+	2.8%

Table 42

Distribution of Women 15-64, in GAIN and the Los Angeles County Population

Age of women in GAIN is at the time of their first GAIN job

Age of the female population in Los Angeles County is from the 1990 Census

Age Cohort	*GAIN Index of Representation*	*Percent of GAIN Females*	*Percent of LA County Females*	*Number of GAIN Females*	*Number of LA County Females*
15-17	0.0063	0.04%	5.71%	28	169,723
18-19	0.3584	1.56%	4.36%	1,218	129,629
20-24	1.3343	16.33%	12.24%	12,715	363,450
25-29	1.2768	18.56%	14.54%	14,456	431,835
30-34	1.4107	20.16%	14.29%	15,697	424,391
35-39	1.6293	19.78%	12.14%	15,407	360,654
40-44	1.3092	13.63%	10.41%	10,614	309,221
45-49	0.8242	6.76%	8.20%	5,262	243,512
50-54	0.3629	2.43%	6.69%	1,891	198,723
55-59	0.1260	0.73%	5.76%	565	171,071
60-64	0.0059	0.03%	5.66%	26	168,108
Total	1.0000	1	1	77,879	2,970,317

Table 43

Distribution of GAIN Participants by Age and Education

	18-24	*25-34*	*35-44*	*45-54*
No High School	4.4%	8.9%	24.7%	40.5%
Some High School	48.9%	40.9%	28.4%	20.3%
Completed High School	41.6%	41.0%	35.5%	28.2%
Some College	5.1%	9.1%	11.4%	10.9%

Table 44

Average 1997 Earnings of GAIN Workers by Age and Level of Education

Age	*Completed High School*	*Some College*
18-24	$7,369	$7,936
25-34	$9,319	$10,499
35-44	$9,490	$10,894
45-54	$10,053	$11,989

Table 45
Average 1997 Earnings of GAIN Workers between Ages of 18-59

Age	*Earnings*
18	$3,015
19	$3,938
20	$4,391
21	$6,084
22	$6,982
23	$7,174
24	$8,442
25	$8,797
26	$8,971
27	$9,348
28	$9,265
29	$8,905
30	$9,088
31	$8,881
32	$8,928
33	$9,219
34	$9,030
35	$8,996
36	$8,850
37	$9,052
38	$9,132
39	$8,987
40	$9,085
41	$8,875
42	$8,897
43	$8,795
44	$8,846
45	$9,257
46	$8,885
47	$8,954
48	$8,719
49	$8,453
50	$9,173
51	$8,698
52	$8,838
53	$8,677
54	$8,938
55	$8,975
56	$8,021
57	$7,553
58	$8,016
59	$8,052

Note: Earnings are for individuals who earned $500 or more in 1997.

Table 46

Average Annual Earnings of All GAIN Men and Women in Constant 1997 Dollars

	1990	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
All Males	$6,261	$ 5,354	$4,435	$ 3,706	$ 3,661	$ 3,976	$4,477	$6,447
All Females	$3,026	$ 2,642	$2,312	$ 2,156	$ 2,535	$ 3,241	$4,191	$6,067

Table 47-50

Ethnic and Employment Characteristics of GAIN Participants

	47 *Ethnic Distribution*	48 *Ethnic Concentration*	49 *Labor Force Participation*	50 *Earnings*
African-American	24.4%	2.28	71.1%	$9,239
Asian and Pacific Islander	8.5%	0.82	71.8%	$6,636
Latino	48.0%	1.29	65.3%	$8,870
White (Not Latino)	18.8%	0.46	70.6%	$8,926
ALL PERSONS			69.7%	$8,793

Note: Earnings are for employed individuals who earned $500 or more in 1997.

Table 51-53

Ethnic and Immigrant Groups among GAIN Participants

	Number	*1997 Earnings*	*Employment Rate*
US CITIZENS/SETTLED IMMIGRANTS	61,245	$9,243	71.9%
Latino	23,167	$9,187	74.4%
African-American	23,152	$9,168	71.3%
European-American	12,907	$9,632	68.3%
Asian-American	1,862	$8,380	73.6%
RECENT IMMIGRANTS	38,223	$8,007	66.5%
Latino	24,590	$8,653	67.0%
European	5,789	$6,882	58.5%
Asian	6,649	$6,132	71.3%

Note: Earnings are for employed individuals who earned $500 or more in 1997.

Tables 54-56

Education and Employment Characteristics by Immigrant Group

	54 *Percent with Level of Educational Attainment*	55 *Employment Rate in 1997*	56 *Earnings of Employed Workers in 1997*
ALL EMPLOYED GAIN WORKERS (n = 79,066)			
Some College	10.0%	71.1%	$10,829
Completed High School	36.1%	71.2%	$9,264
Some High School	32.4%	67.4%	$7,723
No High School	21.6%	63.5%	$6,883
US CITIZENS/SETTLED IMMIGRANTS (n = 47,556)			
Some College	12.8%	72.7%	$10,874
Completed High School	47.0%	72.4%	$9,383
Some High School	36.5%	67.5%	$7,801
No High School	3.7%	64.3%	$7,249
RECENT IMMIGRANTS (n = 31,510)			
Some College	5.8%	65.8%	$10,668
Completed High School	19.6%	66.8%	$8,797
Some High School	26.1%	67.2%	$7,557
No High School	48.5%	63.4%	$6,840

Note: Earnings are for employed individuals who earned $500 or more in 1997.

Tables 57-59

Education and Employment Characteristics by Ethnic Group

	57 *Percent with Level of Educational Attainment*	58 *Employment Rate in 1997*	59 *Earnings of Employed Workers in 1997*
LATINO (n = 24,021)			
Some College	6.4%	77.6%	$11,897
Completed High School	35.8%	76.2%	$9,761
Some High School	46.9%	70.9%	$8,210
No High School	10.8%	63.4%	$7,826
AFRICAN-AMERICAN (n = 19,095)			
Some College	16.6%	72.1%	$10,464
Completed High School	54.2%	71.2%	$9,122
Some High School	27.9%	64.6%	$7,368
No High School	1.3%	59.8%	$7,450
EUROPEAN-AMERICAN (n = 10,412)			
Some College	16.3%	69.2%	$11,151
Completed High School	48.3%	68.0%	$9,874
Some High School	32.2%	64.1%	$8,192
No High School	3.2%	59.8%	$7,753
ASIAN (n = 2,225)			
Some College	17.6%	70.8%	$10,947
Completed High School	41.2%	74.8%	$8,630
Some High School	23.1%	73.0%	$6,662
No High School	18.1%	73.9%	$5,224

Note: Earnings are for employed individuals who earned $500 or more in 1997.

Table 60

Educational Attainment of GAIN Workers in Higher and Lower Earnings Groups

HIGHER EARNINGS	
Some College	17.4%
Completed High School	46.4%
Some High School	26.8%
No High School	9.5%
LOWER EARNINGS	
Some College	8.7%
Completed High School	34.0%
Some High School	34.7%
No High School	22.5%

Table 61

Industry Distribution of GAIN Workers in Higher and Lower Earnings Groups

HIGHER EARNINGS	
Construction	3.6%
Non-Durable Manufacturing	6.2%
Durable Manufacturing	8.7%
Transp., Comms., Utils.	7.3%
Wholesale Trade	7.4%
Retail Trade	12.7%
Finance, Insurance, Real Estate	6.5%
Personal Services	3.3%
Entertainment and Lodging	2.7%
Business Services	11.4%
Professional Services	30.3%
LOWER EARNINGS	
Construction	1.7%
Non-Durable Manufacturing	10.5%
Durable Manufacturing	3.3%
Transp., Comms., Utils.	2.2%
Wholesale Trade	4.2%
Retail Trade	24.5%
Finance, Insurance, Real Estate	2.2%
Personal Services	9.7%
Entertainment and Lodging	3.5%
Business Services	22.8%
Professional Services	15.3%

Table 62

Participant Enrollment and Employment in GAIN

Year	Annual Total Referrals Into GAIN	Average Caseload In GAIN Activity*	Average Caseload of Inactive Participants	Average Total GAIN Caseload	Estimated** Annual No. of Active Referrals	Total Entered Employment	Employed as % of Active Referrals
1990	19,521	5,572	5,844	11,416	9,528	2,904	30%
1991	34,010	15,197	10,014	25,211	20,501	4,566	22%
1992	10,208	11,412	6,967	18,379	6,339	4,402	69%
1993	37,291	15,226	7,370	22,595	25,128	6,103	24%
1994	63,397	21,221	15,146	36,367	36,994	17,743	48%
1995	59,777	16,053	18,960	35,013	27,407	25,283	92%
1996	95,903	17,735	16,656	34,391	49,457	31,872	64%
1997	155,382	23,363	17,716	41,079	88,370	47,444	54%
Total	475,489				263,724	140,317	53%

Source: Los Angeles County Department of Public Social Services
** GAIN activities include appraisal, GAIN component, or GAIN activity.*
*** Estimate based on multiplying percent of total participants that are in activities times referrals into GAIN.*

Table 63 - 66

Number Getting First GAIN Job by Quarter, Average Age, Average Education, and Percent Female

Year and Quarter	Number Getting First GAIN Job	Average Age at Time of Employment	Average Education	Percent Female
1990-1	467	38.4	9.5	65.1%
1990-2	458	38.1	9.3	69.1%
1990-3	460	37.9	9.8	68.0%
1990-4	793	37.6	9.7	72.0%
1991-1	978	36.8	10.2	74.4%
1991-2	845	35.5	10.3	78.1%
1991-3	799	35.5	10.6	80.1%
1991-4	645	34.4	10.6	83.7%
1992-1	492	35.8	10.4	79.7%
1992-2	423	34.2	10.6	83.7%
1992-3	651	35.5	10.4	77.1%
1992-4	652	34.5	10.5	79.9%
1993-1	724	34.5	10.7	82.3%
1993-2	803	33.4	10.9	78.5%
1993-3	977	33.6	11.0	83.9%
1993-4	1,466	32.6	11.0	86.9%
1994-1	2,664	33.1	10.9	82.0%
1994-2	3,435	32.9	10.8	82.7%
1994-3	4,095	33.7	10.7	83.6%
1994-4	4,479	34.3	10.4	80.7%
1995-1	4,211	35.2	10.0	78.3%
1995-2	4,787	34.9	10.1	76.8%
1995-3	4,822	34.4	10.1	77.5%
1995-4	4,707	34.1	10.1	79.9%
1996-1	4,881	34.8	9.8	76.5%
1996-2	5,270	34.7	9.9	77.3%
1996-3	5,954	34.5	10.1	76.9%
1996-4	6,793	35.0	10.1	77.2%
1997-1	8,872	35.4	9.9	76.8%
1997-2	9,004	35.0	10.0	79.0%
1997-3	7,400	34.7	10.0	78.5%
1997-4	6,304	34.8	9.8	75.0%

Average level of education of all 79,206 participants with educational data = 10.16 Years

Table 67

Comparison of Women in the Total GAIN Data Set with Women 16-64 With Public Assistance Income and Own Children at Home In 1990 PUMS Data for Los Angeles County

	PUMS	GAIN
<25 Years Old	15%	13%
25-34 Years Old	43%	37%
35+ Years Old	42%	49%
0-8 Years of School	23%	18%
9-11 Years of School	23%	35%
12 Years of School	33%	38%
13+ Years of School	21%	9%
*Limited English Ability	24%	18%
Worked in Past 12 Months	28%	24%
Worked 13 to 24 Months Ago	7%	11%
Worked 25 to 36 Months Ago	12%	4%
Worked in Past 36 Months	46%	39%
Enrolled in School or Training	11%	14%

** PUMS records were coded as limited English if the person spoke English not well or not at all.*

Table 68

Comparison of MDRC and GAIN Worker Samples

	MDRC Sample-1996	GAIN Workers
Female (%)	92.8%	77.2%
Less than High School	54.3%	55.6%
High School/GED	40.8%	35.1%
College	5.0%	9.4%
Limited English	20.3%	25.1%
White, non-Hispanic	17.3%	20.5%
Hispanic	45.2%	49.5%
Black	31.2%	24.4%
Asian/Pacific Islander	6.1%	5.4%
Native American	0.3%	0.2%
<25 Years Old	17.1%	14.0%
25-34 Years Old	40.8%	33.6%
35-44 Years Old	31.5%	37.5%
45+ Years Old	10.6%	14.9%
1 Child	43.0%	30.5%
2 Children	30.1%	34.8%
3 or More Children	26.9%	34.8%
Employed in Past Year	27.1%	16.6%
Employed in Past 2 Years	34.6%	37.9%
Employed in Past 3 Years	38.2%	45.5%

Source of data about MDRC sample: Stephen Freedman, Marisa Mitchell and David Navarro,*The Los Angeles Jobs-First Evaluation: Preliminary Findings on Participation Patterns and First -Year Impacts,* MDRC, New York, August 1998.

Statistical Tests

Statistical Tests

REGRESSION MODELS OF QUARTER-TO-QUARTER CHANGE IN LOS ANGELES COUNTY WAGE AND SALARY EMPLOYMENT AND CHANGE IN GAIN EMPLOYMENT AND WAGES - CHAPTER 3

Model 1

GAIN employment change is predicted based on employment change in the Los Angeles County labor force:

Model 1

GAINEMPL = 3.49 + 5.27 TOTEMPL
(Adjusted R-square = 0.81)

Where GAINEMPL = percent quarterly change in GAIN employment and
TOTEMPL = percent quarterly change in total employment

Model 2

Change in the total earnings of GAIN workers is predicted based on employment change in the Los Angeles County labor force:

Model 2

GAINWAGE = 4.32 + 7.22 TOTEMPL
(Adjusted R-square = 0.64)

Where GAINWAGE = percent quarterly change in total GAIN earnings

As seen by the high R-square values, most of the change in GAIN employment and total earnings between 1990 and 1998 can be explained by total employment change in the Los Angeles County workforce.

As each formula indicates, quarter-to-quarter fluctuations in GAIN employment levels and wages are significantly amplified variations of quarter-to-quarter fluctuations in total county employment. In Model 1, fluctuations in GAIN employment are more than five times greater than fluctuations in total county wage and salary employment.

ANALYSIS OF EARNINGS - CHAPTER 5

Analysis of the 1997 earnings of groups of women who had gone through the GAIN program in 1996 was based on a series of regression models. The women were divided into six ethnic immigrant groups. The dependent variable was 1997 earnings. Dummy variables were included for education, English language ability, geography of residence, and industry. Work experience was based on the number of quarters that each worker was employed full time between 1990 and 1996, with "full-time" employment calculated as 13 weeks times 35 hours per week times $5.25.

Tables 69 and 70 below show the results of the six runs. The first run, shown in Table 1, assesses the strength of the association between employment outcomes and the education, work experience, industry, and geography of US born and settled immigrant workers.

Table 69

Analysis of Earnings of 1996 GAIN Cohort
US-Born and Settled Immigrant Workers

Effect on Earnings of Each Factor

	Latino	*African-American*	*European-American*
Constant	$6,594****	$6,479****	$6,194****
Education	$1,426****	$753**	$1,674****
Work Experience	$267****	$410****	$385****
Industry	$3,089****	$2,165****	$3,552****
Geography	-$151	-$553*	$67
Number	1,840	2,205	1,090
Adjusted R-square	0.13	0.14	0.13

****p<.001, ***p<.01, **p<.05, *p<.10

The test results shown above indicate the probability that differences in employment outcomes associated with the specified characteristics of GAIN women are chance outcomes rather than significant occurrences. The probability that an outcome is a chance occurrence is indicated by the number of asterisks next to it:

* Statistically significant at the 10-percent level.
** Statistically significant at the 5-percent level.
*** Statistically significant at the 1-percent level.
**** Statistically significant at the .1-percent level.

Thus, there is only a one-in-one-thousand chance that education, work experience and industry were not associated with significant differences in employment outcomes among the three groups of US born and settled immigrant workers listed in Table 69, with the exception of a one-in-twenty chance that education was not associated with significant differences in employment outcomes among African-Americans. In addition, there was a one-in ten chance that the geography was not associated with significant differences in employment outcomes of African-Americans.

Table 70 shows results from tests that assessed the strength of the association between employment outcomes and the education, English language ability, work experience, industry, and geography of US born and settled immigrant workers.

Table 70
Analysis of Earnings of 1996 GAIN Cohort
Recent Immigrant Workers
Effect on Earnings of Each Factor

	Latino	*European*	*Asian*
Constant	$7,467****	$5,830****	$5,927****
Education	$671**	$1,430	$744
English Language Ability	-$1,116****	-$2,005**	-$1,275*
Work Experience	$298****	$664****	$380****
Industry	$2,303****	$3,526****	$5,120****
Geography	-$46	$755	-$82
Number	2,326	232	258
Adjusted R-square	0.13	0.23	0.25

****p<.001, ***p<.01, **p<.05, *p<.10

These results indicate that there was only a one-in-one-thousand chance that work experience and industry were not associated with significant differences in employment outcomes for all three groups of recent immigrant workers shown in Table 70. English language ability was also associated with employment outcomes for all three groups, although at differing levels of statistical significance. There was only a one-in-one-thousand chance that English language ability was not associated with significant differences in employment outcomes among Latinos, a one-in-twenty chance among European-American immigrants, and a one-in-ten chance among Asian immigrants. In addition, there was a one-in-twenty chance that education was not associated with significant differences in employment outcomes among recent Latino immigrants.