

Combating Unemployment and Poverty

NO POLICY response to the problem of unemployment is free of drawbacks. In assessing the effectiveness and desirability of an EAP jobs program, it is therefore important to remember the costs that unemployment itself imposes on society. The question that has to be answered is not whether a policy of providing employment assurance by means of deliberate public sector hiring would be free of negative side effects. It is whether the shortcomings of such a policy would be as severe as those associated with the existing policy regime.

In other words, we need to consider not only whether an EAP job would satisfy all the economic, social, and psychological needs of unemployed persons, but whether those needs are better met by involuntary idleness accompanied by limited income transfers. We need to consider not only whether there would be problematic economic side effects attributable to an EAP jobs program, but whether those side effects would be worse than those attributable to continuing high levels of unemployment and its attendant poverty. We need to consider not only the formidable administrative problems associated with the operation of an EAP jobs program, but whether those problems are greater than those that would have to be overcome to make existing programs and policies work equally well in combating the effects of unemployment and poverty. In short, the issue that needs to be addressed is not whether an EAP jobs program would provide an ideal solution to the nation's unemployment problem, but whether it would constitute a better response to that problem than existing policies.

Before beginning my analysis of the effectiveness of an EAP jobs program, I therefore want briefly to review the social costs attributable to unemployment under existing conditions. These costs can be roughly categorized under three headings. The first consists of the income maintenance benefits that society must provide for people because they cannot support themselves. An estimate of the size of these expenditures in the United States was reported in table 2.8 above. Expressed in constant (1986) dollars, they averaged almost \$90 billion a year between 1977 and 1986, costing the average American household over a thousand dollars per year.

Society pays for unemployment a second time, though, by forfeiting the additional goods and services that would be produced if everyone

who wanted a job was productively employed. In table 2.6 I provided a rough estimate of the additional domestic production sacrificed in the United States between 1977 and 1986 because of our failure to provide work for the nation's entire laborforce. This lost production totaled almost \$1.2 trillion. Expressed in constant (1986) dollars, it amounted to about \$142 billion annually, a sacrifice of approximately \$1,600 dollars worth of goods and services per household each year.

What is particularly disheartening about this sacrifice is its seeming irrationality. In table 2.8 I showed that we actually spent most of what it would have cost to obtain these additional goods and services. We simply chose to support the unemployed in forced idleness rather than provide them with useful work. Economists are fond of pointing out that there is no such thing as a free lunch, but the increased production that the United States would enjoy if it used its resources to employ productively everyone who wants to work, is a lunch for which we are already paying close to the full price.

Finally, society pays for unemployment a third time with the private suffering and public insecurity it causes. We pay for it with broken homes, with child and spouse abuse, with mental and physical illness, with crime, and with a host of other social problems. Of course none of these ills can be laid entirely, or even primarily, at the feet of the nation's unemployment problem, but can anyone doubt that unemployment makes them worse? It has been noted, for example, that arrest rates among youths employed in the federally funded summer jobs program decline by over 50 percent while they are employed. The resultant savings in reduced criminal justice system costs, and in reduced property and personal injury losses, were estimated to average \$1,150 per participant in the late 1970s.¹

Another study has estimated that the increase in the U.S. unemployment rate that occurred between 1973 and 1974 resulted in a 2.3 percent increase in total mortality, a 2.8 percent increase in deaths due to cardiovascular disease, a 1.4 percent increase in cirrhosis mortality, a 6.0 percent increase in mental hospital admissions, a 6.0 percent increase in the overall arrest rate, a 1.1 percent increase in assaults, and a 1.0 percent increase in suicide.² The methodology that produced these estimates has been criticized, so the actual numbers may not be reliable, but few authorities doubt the existence of at least some causal association between unemployment and the major indicators of medical and social pathology.³

The social costs of unemployment are substantial, and my estimates of the net funding requirements of an EAP jobs program account for only some of them. Specifically, I have counted the cost of providing income transfers to employable persons, but my estimates do not take into consideration either the opportunity costs of foregone production that soci-

ety incurs because of involuntary unemployment, or the positive costs of the medical, psychological, and social problem that unemployment generates or aggravates. Ideally, account should be taken of all of these factors in estimating the real net cost of an EAP jobs program.

Since I have not tried to do this, it is particularly important to keep the social costs of unemployment in mind when discussing the limitations and negative side effects of an EAP jobs program. The program would have to impose costs on society greater than these for it to be deemed inferior to existing policies.

In the balance of this chapter I analyze the effectiveness of an EAP jobs program as a policy response to the distinct problems posed by frictional, cyclical, and structural unemployment, and I then conclude with a brief assessment of the program's overall effectiveness as an antipoverty measure. In chapter 4 I analyze the likely economic side effects of such a program, and in chapter 5 I consider the administrative problems and opportunities it would present.

FRictional UNEMPLOYMENT

Frictional unemployment results from the economy's inefficient handling of economically beneficial behavior. A willingness on the part of workers to move from less to more productive jobs is good for both the economy and individual workers. It is not desirable, however, for the transition to include a period of involuntary unemployment. Society loses production and frictionally unemployed workers lose income.

The existence of significant frictional unemployment may also affect job-switching behavior in undesirable ways. The prospect of having to submit to a period of involuntary unemployment while seeking a new job may inhibit workers from voluntarily leaving their present jobs, even when a change in employment is desired. Also, the pressures of being unemployed are likely to induce a short, albeit intense job search effort. Where information about available jobs is difficult and time-consuming to obtain, this kind of search effort may not be optimal.

For these reasons, a reduction in the rate of frictional unemployment is desirable, but how can it be achieved? The primary determinant of the rate of frictional unemployment is the efficiency of information flows between job-seekers and employers. In a world of perfect information, there would be no frictional unemployment. Workers would move quickly and costlessly to the best job open to them. Thus, any improvement in the efficiency of the process whereby job-seekers and potential employers learn about one another will tend to reduce the rate of frictional unemployment. Frictional unemployment cannot be entirely elim-

inated, but a minimization of the rate can and should be an objective of public policy.

Would an EAP jobs program have any effect on the rate of frictional unemployment? The existence of such a program would probably make workers more willing voluntarily to abandon their current jobs, because they would know that "fall-back" employment was guaranteed. By itself, this would tend to increase the rate of frictional unemployment (though the increase might be disguised in the form of increased EAP participation rates). As noted above, however, an increased willingness on the part of workers to move from less to more productive jobs is desirable in itself. The goal of public policy in this area should not be to discourage job-switching behavior, but to improve the efficiency of the matching of available workers and jobs.

Would an EAP jobs program affect the efficiency of the job matching process? The efficiency of the process is a function of three factors: the cost and intensity of the recruiting efforts of employers, the cost and intensity of the job search efforts of workers, and the quality of the institutional mechanisms that facilitate the flow of information between job-seekers and employers. An EAP jobs program would influence each of these factors, but in different directions, so the net effect of the program on the rate of frictional unemployment is theoretically indeterminate.

Employer job recruiting efforts would tend to increase with the achievement of effective full employment because of the increased difficulty of finding and attracting qualified job applicants. Waiting for job applicants to appear at the door is a luxury that employers can enjoy only when unemployment rates are high.

The effect of an EAP jobs program on the job-seeking behavior of employees is less clear. The availability of guaranteed jobs would probably tend to reduce the intensity of job search efforts by unemployed workers, while the elimination of existing income maintenance benefits for unemployed workers would have the opposite effect. It is unclear which tendency would predominate. The degree to which the job-seeking behavior of unemployed workers is affected by transfer programs like UI is a much debated question,⁴ and the tendency for workers to reduce their job search efforts because of the availability of EAP jobs might be counteracted by the increased willingness of workers to risk a job change. In short, the net effect of an EAP jobs program on employee job search behavior is far from certain.

Finally, the establishment of an EAP jobs program would probably facilitate the development of more effective institutional mechanisms for transferring information between employers and job-seekers. Increased job recruiting efforts by employers would encourage both an expansion and rationalization of the activities of private employment services, and

state-operated employment services might experience a similar revival. There is substantial room for improvement in the effectiveness of state employment services,⁵ but the necessary political impetus has been lacking for a rationalization of the system. The establishment of an EAP jobs program could change that by strengthening political interest in such reforms. Under current conditions, most employers have little interest in the effectiveness of state employment services because they do not need them to locate job applicants. With a tightening of the labor market, however, employers would have a strong incentive to support a strengthening of the state system, if only to shift their increased job recruiting costs onto the government. A "window" of political opportunity for significant reform in this area could therefore emerge.

An EAP jobs program would also contribute to the efficiency of state employment services in more direct ways. The program would serve as an efficient viaduct for conveying information about job openings in the regular labor market to unemployed workers, and the employment records of participants in the program would provide a valuable source of information for potential employers.

So far, the cost of these behavioral and institutional changes hasn't been mentioned. My analysis of their character, though, suggests that one major effect of an EAP jobs program would be to shift job search costs from employees to employers. Employers would be forced to spend more on job recruitment, while the costs of job search efforts by workers would tend to diminish. This latter tendency would arise both because employers would be making greater efforts to reach potential job applicants and because information-transmitting institutions would probably become more efficient.

This shift in the burden of job search costs should probably be regarded as desirable. Unless one believes that unemployment is caused by a lack of initiative on the part of unemployed workers, it is arguably both unjust and inefficient to require them to bear the primary burden of society's job-matching costs. It is unjust because it forces the innocent victims of a social problem to bear a disproportionate share of its costs. It is inefficient because employers are generally in a better position than unemployed workers to improve the flow of information necessary to reduce the rate of frictional unemployment. If employers bore a greater share of society's job-matching costs, they would have an incentive to devise more efficient means of accomplishing the task.

There is one final issue that needs to be addressed in reference to the likely effect of an EAP jobs program on frictional unemployment. In my earlier comments concerning the program's probable impact on the job search behavior of workers, I mentioned in passing that the effect of existing income maintenance programs on such behavior is a matter of

some controversy. This debate largely concerns the effect of programs like UI on the reservation wage of job-seekers (the minimum wage offer that will induce them to accept employment). The argument advanced by critics of these programs is that the wage expectations of unemployed workers tend to be too high because of the substantial opportunity costs that the forfeiture of income transfers places on the acceptance of low-wage employment. Thus, it may not be the effect of an EAP jobs program on job search intensity that would concern critics of traditional income maintenance programs so much as its effect on reservation wages. This is an important issue, but I shall defer discussion of it until chapter 4.

What conclusions can be drawn, then, from this discussion of frictional unemployment? First, the net effect of an EAP jobs program on the rate of frictional unemployment is uncertain, even as to its direction. Second, job recruitment efforts and their costs would almost certainly increase for employers. Third, the program's effect on job search behavior by workers is uncertain. Fourth, some improvement in the quality of information-transmitting institutions operating in the labor market could be anticipated. Finally, the aggregate cost of society's job-matching efforts would tend to shift from workers to employers.

CYCLICAL UNEMPLOYMENT

In discussing the impact of an EAP jobs program on cyclical unemployment, it is useful to distinguish between the program's anticyclical tendencies and its effectiveness in meeting the needs of cyclically unemployed workers. I shall consider each of these factors in turn.

I have already noted that an EAP jobs program would be a powerful automatic stabilizer. It would function much like UI in this respect, but its impact would be greater due to its broader coverage and to the fact that it would replace a greater proportion of the lost income of cyclically unemployed workers. In addition, an EAP jobs program would probably affect discretionary anticyclical policy in a beneficial way. The existence of a free-standing employment assurance program would free policymaking in this area from excessive concern for the near-term employment effects of particular anticyclical strategies. Both macro and microeconomic policy could assume a longer-term focus, and political debate regarding adopted policies would be less hobbled by acrimonious disagreements over the amount of "pain" caused by a particular policy's short-term effect on employment levels.

The same salutary effect would probably be felt in the execution of anticyclical policy as well. Because of the exceptionally strong political pressures that develop during recessions, it is difficult to maintain a particular anticyclical policy long enough properly to judge its effects. Un-

less immediate improvements in the economy's performance are evident, political pressure quickly mounts to try something else, whether or not a change in policy seems warranted on theoretical grounds. Stability in the execution of anticyclical policy would be easier to achieve if those who must bear its short-term burdens were more adequately compensated.

Moreover, with such compensation provided automatically by an EAP jobs program, policy choices might reflect a better balancing of competing interests in society. The long-term effects of recessions are not uniformly negative, and although few policymakers will openly admit it, they frequently do favor policies that are procyclical, usually with the stated purpose of fighting inflation. The tight monetary policy adopted by the Federal Reserve Board in the 1980-82 period provides the clearest example of such a strategy. By more effectively compensating those harmed by such policies, an EAP jobs program could reduce the resistance of short-term losers to policies that really do promise net long-term gains. Also, policymakers representing the interests of those likely to gain from a procyclical policy would be induced to take fuller account of the social costs of the policies they favor. Those policies would have a "price tag" attached in the form of increased EAP expenditures.

This last point warrants special emphasis. Only if the gainers from a proposed public policy initiative are forced to compensate the losers can we be relatively certain that policy decisions will tend to increase aggregate social welfare. Even in a plus-sum game a majority of the players may be losers, and it is by no means clear that such a game increases aggregate social welfare. More to the point, even if a majority of the players do gain, the losses endured by the minority may be so severe and socially destructive that the game diminishes net social welfare. If side bets by nonparticipants are taxed to increase the size of the pot, then Russian roulette is, in monetary terms, a plus-sum game in which all players but one win. It would be hard to argue, though, that such a game increases the aggregate social welfare of the players. This is because losers forfeit more than money. The same is true of unemployment.

Given a commitment to compensate the victims of cyclical unemployment, how well would an EAP jobs program serve that end in comparison with existing income transfer programs? The principal needs of cyclically unemployed workers are threefold. First, they need income to replace their lost wages. Second, they need to maintain the nonspecific work habits that link them to the laborforce and to either conserve the specific skills that define their occupation or learn new skills. Third, they need assistance in dealing with the personal problems (psychological, medical, and familial) that unemployment either causes or aggravates.

Given the nature of these needs, it hardly seems necessary to argue that most cyclically unemployed workers would be better served by an

offer of work in an EAP jobs program than by existing income maintenance programs. A higher proportion of lost income would be replaced. Nonspecific work habits and skills would be maintained by continued work rather than eroded by a period of forced idleness. Many specialized skills could continue to be practiced and new skills could be learned. Finally, the best antidote for the traumatizing effects of unemployment is a good job paying decent wages. An EAP jobs program could provide that antidote. Only those workers who are assured of a relatively quick recall to their former jobs are likely to be better served by the provision of income maintenance benefits like UI.

Whether an EAP jobs program would serve the interests of employers is less certain. Industries that employ cyclically unemployed workers during periods of economic expansion clearly have an interest in the maintenance of the skill levels of cyclically unemployed workers, as they have in the maintenance of their mental and physical well-being. On the other hand, it is by no means clear that employers have an interest in having the lost wages of cyclically unemployed workers replaced or in having such workers find alternative employment. The anticyclical effect of replacing lost wages is consistent with employer interests in economic recovery, but employers are also interested in strengthening their bargaining position with labor and in the ready availability of cyclically unemployed workers for reemployment when their services are needed. Both of these interests are better served by the maintenance of cyclically unemployed workers in a state of idleness and relative impoverishment.

Whether employer interests correspond to the public interest in this regard is another matter. I shall defer consideration of the general effects of a shift in bargaining power from employers to workers until chapter 4. At this point I shall limit my discussion to the issue of whether an EAP jobs program would discourage the reentry of cyclically unemployed workers into the regular laborforce following a recession.

The program's likely effect on the willingness of cyclically unemployed workers to accept reemployment in the private sector following a recession would depend on the relative attractiveness of EAP jobs in comparison with those available through the regular labor market. This is also an issue, of course, under the current policy regime. Indeed, the problem is inherently more troublesome under existing conditions. Cyclically unemployed workers now face a choice between more vigorous job-seeking behavior (to regain their old jobs or to find substitute employment) and continued reliance on any income maintenance benefits for which they may be eligible while unemployed. Essentially, this is a choice between income-without-work and a job. To ensure adequate job-seeking behavior under these circumstances, it is necessary to require unemployed workers to furnish proof of their job search activities as a condition for

the receipt of income maintenance benefits and to keep those benefits well below prevailing wage levels.⁶

If cyclically unemployed workers faced a choice between two jobs, instead of between income-without-work and a job, this kind of coercion would not be necessary. Even marginal differences in wages or working conditions should induce EAP job-holders to accept employment offers in the private sector. So long as an EAP jobs program did not engage in a bidding war to keep its workforce from accepting such offers, private sector employers should have little difficulty in hiring workers away from the program, though they might have to increase their wage offers to do so.

It would also be possible to impose a requirement that program participants be ready and willing to accept suitable private sector employment. Such a requirement would probably meet little resistance among program participants, so long as "suitable employment" was not defined to include jobs that were significantly less attractive than those provided by the jobs program. This should pose no problem. The assumption made throughout this analysis is that an EAP jobs program would offer employment on terms approximating those available to similarly qualified workers in the regular labor market. This means that resistance to reemployment in the regular labor market would arise only if program participants were pressured to accept private sector jobs paying lower wages or offering poorer working conditions than those generally available to workers with similar qualifications and work histories.

STRUCTURAL UNEMPLOYMENT

The concept of structural unemployment is frequently evoked to explain the joblessness of minority youths who are handicapped by a lack of marketable skills, little prior employment experience, and residence in communities with few employment opportunities. Properly speaking, though, the term encompasses the personal histories of broadly disparate groups—rural workers left stranded by changes in the agricultural sector, workers in manufacturing industries that have undergone significant technological or organizational transformations or that have moved to "greener pastures," workers in industries that are dying as a result of changes in consumer tastes or international competition, and older women workers who have difficulty entering or reentering the labor market after raising a family. The term also properly encompasses unemployment attributable to bulges in the age distribution of the population, to a diminution in the long-term rate of economic growth, or to any number of other causes.

In short, structural unemployment is an analytical basket category. To

say that unemployment in a particular population group is caused by a change in the structure of the economy tells us nothing more than that the demand for the group's labor, or the supply of it available for employment, has shifted for reasons that cannot be characterized as frictional or cyclical. The cause of the shift may be technological, demographic, behavioral, ecological, or something else entirely.

The underlying cause of a particular type of structural unemployment may be either good or bad for the economy as a whole. Whether the underlying trend is beneficial or harmful, however, its immediate effect on workers left unemployed is clearly negative. As with policies that cause or prolong cyclical unemployment, society imposes a disproportionate share of the social cost of these adjustments on individuals who have little control over the decisions that necessitate them. Equitable considerations suggest that persons enduring personal hardship for the sake of the common good should be compensated by society for the harm they suffer.

The specific needs of structurally unemployed workers are as diverse as the causes of their unemployment. For purposes of general policy analysis, though, they can be categorized under two headings. The first encompasses needs that arise because of the existence of geographic or occupational disequilibria in the labor market, that is, where jobs requiring the skills possessed by unemployed workers are not available in the communities where they live, but jobs for which they would qualify are available elsewhere, or jobs are available locally for workers possessing different qualifications.

The second category of needs associated with structural unemployment are those attributable to quantitative disequilibria in the labor market that would not be corrected either by retraining or increased geographic mobility. There is no reason why a structural change in the economy must necessarily create as many jobs as it eliminates.⁷ If the number of newly created jobs is inadequate to employ all of the workers rendered redundant by structural changes in the economy, or if not enough new jobs are being created to provide work for all new entrants to the labor force, then a structurally unemployed work force may come into existence for which neither geographic mobility nor job training alone will provide relief.

Because structural unemployment manifests itself in these two ways, a two-pronged strategy is needed to meet the needs of structurally unemployed workers. First, efforts are needed to better equip or situate structurally unemployed workers to let them compete for available jobs. Second, additional jobs are needed to fill any remaining employment deficit. An EAP jobs program would be well suited to achieve both of these goals.

Any amount of job training could be built into an EAP jobs program

without increasing its net cost. Each position created for either a trainer or a trainee is one less job the program would otherwise have to create. Indeed, a high quality training program could probably be operated at a lower cost per position than other work projects, since persons enrolled in such a program would probably be willing to accept a reduced stipend as compared to regular EAP jobs.

Significant improvements could also be expected in the coordination of government-sponsored job training activities with private sector needs. The existence of a tight labor market would probably generate greater interest on the part of private employers in supporting government-sponsored job training programs, and state employment services would be well situated to play a coordinating role. Information collected by state employment services about the qualifications of EAP participants and about the laborforce needs of local employers would provide an excellent source of data for improved human resource planning.

Geographic disequilibria in the labor market could also be identified and appropriate remedial steps could be fashioned. This might involve nothing more than providing specific information to employers and job-seekers about the availability of jobs or appropriately qualified unemployed workers in other communities or regions. With computerized access to a regional or national data base, this service could be quick, cheap, and personal. In circumstances where it would be desirable to encourage workers to relocate, relocation assistance could be provided.

Regulating access to training programs in an EAP jobs program would also provide an excellent means of maintaining discipline and morale among program participants. This could be especially important for youthful EAP participants, many of whom would have little prior employment experience and few marketable job skills. For such persons, placement in a training program could be conditioned on first establishing a satisfactory performance record in an unskilled EAP job. Nor would such a requirement function only as a discipline and morale-boosting device. For young workers with little prior employment experience, the development of good general work habits is one of the first goals of an individualized job training program. Working in an "entry level" EAP job seems an appropriate means of cultivating those habits. For this reason, it is a logical preliminary to more specific skill training. Even formal educational programs would receive indirect support from an EAP jobs program, since it could effectively serve as a greatly expanded work-study program for both secondary and postsecondary students.

Finally, it is worth noting that an EAP jobs program could also serve as a vehicle for the establishment of vocational rehabilitation programs and sheltered workshops for handicapped or partially disabled workers. Whether the workshops provided permanent jobs or served as training

facilities, they would confer substantial benefits on both society and the individuals served.⁸

As I have noted, structural unemployment may involve a net job deficit as well as skill or geographic disequilibria in the labor market. It is in responding to this problem that an EAP jobs program could perhaps do the most good of all. For example, a bulge in the age distribution of a population may tax an economy's ability to create sufficient employment opportunities to meet a rapidly growing supply of workers. The difficulty may persist for years or even decades. What young workers need in such circumstances is not simply job training and encouragement to adapt themselves to the market. They need jobs, and society pays a price for the frustration they experience when reasonable efforts to prepare for and find work prove futile. Turned inward, their frustration is self-destructive. Turned outward, it is likely to become antisocial. In either case, the social costs are considerable.

An EAP jobs program would provide both an appropriate and a constructive response to problems of this kind. The social costs associated with forcing extended idleness on potentially productive workers would be avoided, and society could provide itself with useful public goods and services as a bonus. There is a danger, though, that an EAP jobs program could become a second-class employment ghetto in which large numbers of structurally unemployed workers would be permanently trapped.

Two strategies could be adopted to combat this danger. The first would be to attach a high priority on the placement of all structurally unemployed EAP participants in regular private or public sector jobs, knowing that newly redundant workers would take their place in the program. The conception underlying this approach would be to see the program as a kind of recycling station in the labor market for workers needing training or retraining. The second strategy would be intentionally to create enough relatively permanent EAP jobs to absorb the economy's structural job deficit, making those jobs as indistinguishable as possible from other forms of government employment.

The two strategies could and probably should be combined. The optimal mixture of the two would depend on how rapidly structural change was occurring in the economy and on how long a particular job deficit was expected to last. Extensive continuing structural change would support reliance on the first strategy. The existence of a long-term structural job deficit would support reliance on the second. Certainly over the past two decades, a more or less permanent job deficit has existed in the United States. Whatever the future may hold, a more adequate policy response to this problem is currently needed.

In this context it is also appropriate to note that the burden of structural unemployment falls especially heavily on the shoulders of disadvan-

tagged ethnic, gender, and age groups in society. The benefits of an EAP jobs program would therefore tend to be distributed in proportion to the disadvantages that the regular labor market visits on different groups. The program would therefore provide a means of delivering substantial remedial assistance to disadvantaged groups, but it would do so in a manner that would probably be more readily accepted by the public than other forms of affirmative action.⁹

ANTIPOVERTY EFFECTS

There is broad agreement regarding the characteristics of a good antipov-erty program.¹⁰ First, eligibility standards should be equitable. People in like circumstances should be treated alike (horizontal equity), and the level of assistance provided should be proportional to relative need (vertical equity). Second, the program should be target-appropriate and efficient. It should be responsive to the differing needs of different categories of recipients, it should deliver assistance in forms appropriate to those differing needs, and it should do so at minimum cost. Third, the program should be "need adequate." Simply put, aid levels should be sufficient to allow the poor to live in dignity. Fourth, the program should not have undesirable side effects. In particular, it should not undermine either the work ethic or family unity.

Current antipov-erty programs use a variety of income maintenance benefits to achieve these ends. The approach is largely unproblematic when applied to those whom public opinion does not expect to work for wages. When income maintenance benefits are used to relieve poverty among employable persons, however, conflicts arise between the policy goals enumerated above. Most significantly, the goal of encouraging the work ethic is seen as conflicting with other policy goals.

The policy choices that must be made among competing priorities in this context are never satisfying. Aid levels tend to be inadequate. Eligibility requirements tend to violate principles of both horizontal and vertical equity. Either target efficiency is sacrificed for administrative efficiency or vice versa, and the integrity of the family is frequently undermined. The predictable result is endemic frustration and dissatisfaction with the programs among beneficiaries, administrators, and the public alike. Then, because they fall so far short of their goals, the programs become easy targets for those who advocate reductions in public assistance for the poor.¹¹

Viewed as an antipov-erty program for employable persons and their dependents, an EAP jobs program would not suffer from these weaknesses. Such a program could be need-adequate without undermining the work ethic. Eligibility requirements would be clear, equitable, tar-

get-efficient, and self-enforcing, since the entitlement would be based on the same willingness to work that conditions the receipt of income in the private labor market. All who need help could get it, but nothing would be given away. Family stability would not be undermined. To the contrary, families would be afforded the dignity of being able to support themselves. Also, by shielding families from the corrosive effects of poverty and unemployment, one of the major causes of familial collapse (and an inhibition to family formation) would be eliminated.

An EAP jobs program would attack the causes of poverty among employable persons rather than merely alleviating its effects. It would allow the able-bodied poor to work their way out of poverty, rather than eroding their self-reliance and their self-respect. It would provide them with what they need most and want most to maintain normal lives—work at living wages—rather than a mere offer to pick up the pieces of their broken lives.

There is good reason to believe that the nonemployable poor would also benefit from the establishment of an EAP jobs program. Current anti-poverty programs obscure the distinction between those who are poor because they lack work and those who are poor because they cannot work. This tends to neutralize the public's greater natural sympathy for the latter group. Reaction to Reagan administration efforts to cut benefit programs for the elderly and the disabled in the early 1980s demonstrate that the public does support the provision of such aid. It is the provision of gratuitous income maintenance benefits to able-bodied persons of working age that is resented. If gratuitous aid were provided only to the elderly and the disabled (and to children lacking the support of both of their parents), then it is not unreasonable to expect that such aid would become more generous.

In addition, an EAP jobs program would provide more immediate benefits to the elderly and the disabled. Individuals from both these groups could choose to work in the program, at jobs suited to their capabilities, instead of receiving gratuitous public assistance. Many of them would strongly prefer to do so. An EAP jobs program could make a substantial contribution to the quality of their lives by affording them employment opportunities tailored to their special circumstances.

An EAP jobs program would also benefit both the working and the non-working poor through the services it provided. It must not be forgotten that those employed in an EAP jobs program would not just be taking home paychecks. They would be providing the community with services, and these could include the full range of community services that policy analysts say are needed by the poor but that currently seem to be beyond our fiscal reach.

Thus, there is good reason to believe that combining employment assurance (for those who lack work) with traditional income maintenance benefits (for those whom society does not expect to work) would constitute a more effective antipoverty policy than current programs. The real puzzle is why developed market economies, despite their ideological commitment to the work ethic, seem more ready to use state finances to support the unemployed in forced idleness than to give them work. Cash and in-kind transfer payments are ubiquitous in capitalist welfare states. Government-financed employment programs are relatively rare.¹² Thus far, no persuasive justification for this seemingly irrational policy preference has become apparent.