



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 28, 1993

MEMORANDUM FOR CAROL RASCO
BRUCE REED

FROM: Isabel Sawhill 

SUBJECT: "Good conduct" waivers

At our meeting with the President on June 18, he seemed quite interested in having a list of "good conduct" proposals and a strategy for dealing with them. The attached list was put together by Richard Bavier, our most knowledgeable career person on this set of issues. Waivers intended to promote training or employment are not included, but note that "good conduct" policies generally are just one element in larger demonstrations wherein policies to promote employment dominate.

Also attached, for your information, is an article I wrote last year on this topic. It suggests some criteria against which we might judge such proposals, such as effectiveness and fairness. It also argues that (within limits) the tax-paying public has a right to insist on "good conduct" as a condition of providing assistance, even when there is no guarantee that this will change people's behavior. I think that the President is right that we need a lot more attention to this set of issues, and would be happy to work with you to structure some additional staff work, and discussions among ourselves and with him, if that would be appropriate.

Attachment

cc: Alice Rivlin
Elaine Kamarck
Mary Jo Bane
David Ellwood
Richard Bavier

June 28, 1993

Good-conduct Policies in Welfare Demonstrations

To be included on this list of State-designed good-conduct welfare policies, a policy must aim to promote desirable behavior among welfare recipients beyond the usual areas of employment and child support. All of the policies included are part of State demonstrations with waivers under section 1115 of the Social Security Act. Typically, the State demonstrations include other elements besides these good-conduct policies, but those other elements are not described here.

<u>State</u>	<u>Policy</u>	<u>Consequence</u>
Arkansas (received by HHS 1/14/93)	<u>Family cap</u> - limit AFDC benefit to the number of children in the family at the time of initial certification. (Some exceptions permitted.)	Bearing additional children while on AFDC reduces per-capita income of family.
California (waivers approved but good-conduct elements of demo defeated as ballot initiative)	<u>Family cap</u> - limit AFDC benefit to the number of children in the family at the time of initial certification.	Bearing additional children while on AFDC reduces per-capita income of family.
	Require minor mothers to <u>live with their parents</u> . ¹	Family is otherwise ineligible for AFDC.

¹ This policy is an option under the Family Support Act of 1988, and does not require a waiver. However, several States, including California, Vermont, and Wisconsin, will implement the policy as part of a broader welfare reform demonstration. Delaware, Maine, Michigan, Nevada, the Virgin Islands, and Puerto Rico will implement the policy statewide without waivers.

State

Policy

Consequence

Georgia
(approved 11/17/92)

Require AFDC parents to immunize their pre-school children.

Failure to comply leads to a sanction process that may result in removal of the parent's needs from the AFDC grant (e.g., a three-person family would receive a two-person family grant).

Family cap - No AFDC increase when a child is born to a family on the rolls for 24 months or longer.

Bearing additional children while on AFDC reduces per-capita income of family.

Illinois
(pending in HHS, State is rethinking proposal)

Incentive payment to honor roll students in AFDC families.

Increased family income.

Iowa
(received by HHS 4/29/93)

Do not count as income deposits to savings accounts when purpose is for education, home ownership, and business start-up.

Increased family resources and financial progress towards one of permitted objectives.

Maryland
(approved 6/30/92)

Preschool children of AFDC recipients must receive EPSDT health screening and services.

Sanction of \$25/month for each child not receiving screening.

School-age children must receive annual preventive health check-up.

Sanction of \$20/year for each parent or child not meeting attendance standard.

Learnfare - School-age children must meet school attendance requirements.

Sanction of \$25/month for each child not meeting attendance standard.

Pregnant women must receive regular prenatal care.

Sanction of \$14/month.

<u>State</u>	<u>Policy</u>	<u>Consequence</u>
Missouri (approved 10/26/92)	<u>Learnfare</u> - School-aged AFDC parents and dependent children must meet high-school attendance requirements.	Failure to comply leads to a sanction process that may result in removal of the student's needs from the AFDC grant (e.g., a three-person family would receive a two-person family grant).
Ohio (approved 1988)	<u>Learnfare</u> - Families of school-aged AFDC children receive bonus for good attendance, reduced payment for failing to meet standard.	Higher or lower grant based on attendance.
Oklahoma (received by HHS 12/28/92)	<u>Learnfare</u> - AFDC children aged 13-18 required to remain in school until graduation or a GED.	Failure to comply leads to a sanction process that may result in removal of the student's needs from the AFDC grant (e.g., a three-person family would receive a two-person family grant).
Oregon (approved 7/15/92)	Require participation in <u>mental health or substance abuse treatment</u> programs if needed to progress toward self-sufficiency.	Failure to comply leads to a sanction process that may result in removal of the parent's needs from the AFDC grant (e.g., a three-person family would receive a two-person family grant).
Vermont (approved 4/12/93)	Require <u>minor parents to live with their parents</u> or with other approved adult supervision.	Family is otherwise ineligible for AFDC.

State

Wisconsin
(several approved in
1987 and 1992)

Policy

Require minor parents to live with their parents.

Family cap - reduce increase for additional children born while parents are on AFDC.

Do not count up to \$10,000 savings as available resources if it is to be used for approved purposes.

Learnfare - Children in AFDC families must meet attendance requirements.

Consequence

Family is otherwise ineligible for AFDC.

Bearing additional children while on AFDC reduces per-capita income of family.

Increased family resources and financial progress towards one of permitted objectives

Failure to comply leads to a sanction process that may result in removal of the student's needs from the AFDC grant (e.g., a three-person family would receive a two-person family grant).

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James Fishkin

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Mark Naison

**Social Responsibility and Social Accounting:
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Volume 2, Issue 2 Spring 1992

Up Front		4
	Opinion Polls: Public Judgment or Private Prejudice? Benjamin R. Barber; 'Taking': Real Estate Owners, Rights and Responsibilities Ronald E. Voogt; Roads to Repentance Amitai Etzioni; Child Allowance: A Mother's View Enola G. Aird	
Essays		
<i>New Paradigms</i>	Beyond Left and Right: A New Political Paradigm David Osborne	16
<i>Communitarian Welfare</i>	The New Paternalism: Earned Welfare Isabel V. Sawhill	26
<i>Kaleidoscope</i>	Japan: A Case of Too Many Responsibilities, Too Few Rights Juan Williams	36
<i>Excessive Individualism</i>	The Limitations of Libertarianism, Part II Thomas A. Spragens, Jr.	43
<i>Values and Priorities</i>	Big-Time Sports and Higher Education: A Questionable Marriage Lloyd H. Elliott	54
Dialogue		61
	"Lighten Up, America?" Morality in Contemporary American Culture Michael Vincent Miller, Benjamin Stein, Arthur C. Danto, Thomas Fleming, Frederick Crews, Bruce L. Christensen, Richard John Neuhaus	



COMMUNITARIAN WELFARE**The New Paternalism: Earned Welfare**

ISABEL V. SAWHILL

In the early 1990s, a new debate has broken out about what welfare recipients should and should not be expected to do. In part, it is prompted by a fiscal crunch at the state level that has given new impetus to a whole new set of proposals to link welfare benefits to 'good' behavior—the so-called new paternalism. In Wisconsin and Ohio, for example, welfare benefits may be withheld if recipients or their children fail to attend school on a regular basis. The Republican governor of Wisconsin has proposed both to cap benefits after the first child and to provide a marriage bonus. In California, another Republican governor, Pete Wilson, has announced a ballot initiative that would not only cut welfare benefits by up to 25 percent, but would among other things, deny extra benefits to those who have additional children while on welfare and require teenagers on welfare to live with a parent or guardian. New Jersey recently passed a statute, endorsed by both Democrats and Republicans, that disallows extra benefits for mothers who have children while on welfare but couples this with job training and more generous benefits for those who marry or go to work. And the Democratic governor of Maryland has joined the movement by proposing a cut in welfare benefits for those who fail to get preventive health care, pay their rent regularly, or keep their children in school.

The reaction to these proposals is at least as interesting as the measures themselves. Critics, including many experts, have noted the sometimes punitive nature of these "reforms," have worried about their possibly racist overtones, and have scoffed at the social engineering involved. Defenders, including most ordinary middle-class citizens, see such proposals as eminently fair and as a construc-

tive response to the self-destructive behaviors that give rise to much poverty and welfare dependency in the first place. Who is right, and how should we evaluate these proposals?

SOME HISTORY

The debate is not a new one. When the architects of the Social Security system in the 1930s decided that most of its benefits would be based on a history of individual work-related contributions, they made an exception for payments to widows and their children. What began as a small program of aid to dependent children—one that was supposed to fade away when their widowed mothers again became some breadwinners' dependents—mushroomed into a major part of the social safety net as divorce and out-of-wedlock childbearing swelled the ranks of eligible single parents. While few questioned the appropriateness of such assistance during the 1960s and 1970s, by the 1980s these changes in family composition, and a concomitant increase in the welfare rolls, had etched themselves on the national consciousness, setting the stage for a conservative backlash. And a backlash there was. The Reagan administration, with the help of its conservative allies in the intellectual community, began to articulate a new view of the welfare system, arguing that it was the cause of poverty and not the solution. Mainstream scholars countered that there was little or no empirical evidence to support this charge.

By the end of the decade, the debate seemed to have reached a new equilibrium with the passage of the Family Support Act of 1988. This legislation emphasized the responsibility of fathers to pay child support and of mothers to participate in education and training that would move them toward self-sufficiency. At the same time, the government committed itself to funding the training and other services that would make self-sufficiency possible. Welfare in return for work, or the willingness to prepare for work, was the new rule. With so many middle-class mothers in the work force, taxpayers were less willing to pay low-income mothers to stay home with their children. A welfare system out of step with middle-class norms and behaviors could not survive. The new paternalism of the 1990s is also an attempt to bridge this gap.

MOST BEHAVIOR IS DIFFICULT TO MODIFY

One reason supporters of the Family Support Act had prevailed was because there was evidence that training programs for welfare mothers worked. This is much less clear in the case of the new proposals. Several studies suggest that decisions to marry and to have children are, at best, only modestly affected by the kinds of incentives one can build into the welfare system. Decisions to work or to stay in school may be somewhat more open to such influence.

The effects on behavior also depend on the magnitude of the incentive provided and the way in which it is delivered. A big enough incentive delivered in a user-friendly and supportive fashion can have an impact. There are numerous examples of programs that have changed people's lives, among them the "I Have a Dream" program that promised college tuition to those who finished high school, the workfare experiments of the early 1980s, and even (some claim) a Planned Parenthood program in Colorado that paid teenagers not to become pregnant. Each of these programs uses carrots rather than sticks and combines rewards with heavy doses of counseling and other services.

On the other hand, a legislatively mandated evaluation of the Wisconsin Learnfare program, designed to improve school attendance of family members on AFDC, "did not find improvements in attendance" in high school or middle school students studied. In a congressional hearing presided over by Senator Daniel Patrick Moynihan, a diverse panel of welfare experts all agreed that government attempts to change personal behavior, such as childbearing or marriage, with a system of rewards and punishments probably would not do much. As one panelist argued, "[T]he most likely effect is no effect at all. We have every reason to believe that recipients will resist changes in their personal behavior."

All said and done, while we don't know everything we should about the potential of these and other interventions to move people toward self-sufficiency, it is clear that many of the simpleminded economic incentives that the public believes will change people's behavior may not.

PUBLIC ATTITUDES MATTER

If the public were convinced of this, how much difference would it make? Would more exposure to information about the relationship between welfare benefits and marriage cause the citizens of California to reject their governor's ballot initiative? I doubt it: "Effectiveness" is not the only issue here. Morality, or conformity with social norms, also matters. The public wants to distinguish between the deserving and the undeserving poor, and to set conditions on the use of its "hard-earned" money. (Paul Taylor of the *Washington Post* reports that when President Bush condemned welfare dependency in his 1992 State of the Union Address, he received his second-highest marks of the evening from a focus group armed with devices that provide instant feedback.) Whether one likes it or not, this is a fact of political life. Community expectations and values are registered through the political process and cannot be ignored. Advocates for the poor have long had to live with the reality that single mothers are considered more deserving than equally poor men, and that assistance for the elderly poor is more popular than for their younger counterparts.

Such distinctions apply not just to who deserves assistance but also to the form in which such assistance is provided. The public is willing to provide noncash benefits to the poor, such as food stamps, even though there is no evidence that such earmarked benefits increase spending on food. Indeed, providing cash instead of food stamps would be administratively cheaper, provide more freedom of choice, and be less demeaning to the poor. But liberals have long since learned that to cash out the food stamp program would almost certainly diminish the total amount of assistance available. In the same way, they may come to accept that conditioning assistance on behavior may be the political price they have to pay for continued support of the welfare system, even when they disagree with the moral premises of the policy itself.

What I am asserting here is the community's right (subject to constitutional limitations) to express its values through the political system. If its sentiments and beliefs are wrongheaded, then it is up to those who disagree to change rather than to override public opinion.

In recent decades, those liberals who have aggressively asserted individual rights over community concerns have ended up alienating much of the public. In his book, *Liberal Purposes*, William Galston has articulated the problem well:

In the past generation...important forces within both American academia and public life have embraced understandings of liberalism perceived, with some justification, as hostile to traditional moral understandings. The result has been a disaster for progressive politics. If self-styled liberals cannot accommodate, and recognize their dependence on, the moral restraints espoused by ordinary citizens, liberalism cannot regain in practice the general acceptance needed to guide public life in a constitutional democracy.

Liberals are aware of the erosion of public support for progressive policies, but their most common reaction has been an attempt to rebuild support by emphasizing more universal policies, rather than by accommodating the moral sensibilities of the middle class. Social Security is the historical paradigm of a universal program that has done more to help the poor than all of the means-tested programs put together, but which has bedrock public support because of its inclusiveness. Proposals for universally subsidized day care, national health insurance, and tax credits for families with children are the modern analogues. The problem is that such programs are enormously expensive. Moreover, the popularity of Social Security may have as much to do with its contributory character as with its broad coverage. Even if we could afford a guaranteed income for every American along the lines proposed by George McGovern, it would almost certainly not pass muster. Public support cannot be bought by delivering assistance to everyone. It can be bought by making such assistance conditional on work or other widely approved behaviors.

Political support for the new paternalism is not the only issue. There can be such a thing as too much government by public opinion. The popular will should be filtered through the legislative process. The fact that Governor Wilson's proposals are being put on the ballot rather than debated in the legislature is significant, because it eliminates the kind of considered judgments and education of the citizenry by its elected representatives that we should expect in a democracy. The voters are currently not as well informed as the

people they elect. For example, the possibility that the public expects far more behavioral change from the new paternalism than it can possibly deliver has already been noted. Moreover, the tensions between individual rights and community concerns are real and cannot be resolved except by considering each case on its merits and evolving reasonable compromises.

INDIVIDUAL LIBERTIES MUST BE PROTECTED

Another reaction from rights-oriented liberals has been to conjure up worst-case scenarios and anecdotes as arguments against the new paternalism. It is not hard to paint a portrait of America circa 1994 that would give George Orwell a run for his money: welfare mothers being forced to have abortions or sterilizations because otherwise they would be denied extra money for additional children; parents being blackmailed by their potentially truant children into inappropriately submissive behavior ("I will buy you a gun if you go to school tomorrow"); teenage mothers being forced to live with abusive parents as a condition of receiving assistance, and so forth. In the end, we must decide which is the greater threat to democracy and the individual freedoms that democracy promises: occasional specific abuses of the coercive power of the state by those who support reasonable versions of the new paternalism or a broader backlash against the entire system fomented by the David Dukes of the world and fueled by resentment of the lifestyles of the poor. Specific abuses can be curtailed by administrative safeguards (such as exceptions, in cases of conflict or abuse, to the rule that teen mothers must live with a parent). But the only defense against a populist backlash is to align policy with mainstream values.

PATERNALISM SHOULD BE EVENHANDED

One issue is fairness. If paternalism is good for the poor, it should be good for the rich and the middle class as well. Indeed, if it is not applied in an evenhanded way, then charges of racism, classism, and sexism carry more weight. If tax policies are moving in the direction of making allowances for family size among the working poor and the middle class, as they seem to be these days, then denying the welfare

population equal treatment seems unfair. Or, to take another example, imagine denying college aid from public sources to middle-class kids who cut their classes or Medicare to elderly citizens who don't get annual checkups. The precise analogies to the new paternalism may seem a bit farfetched, but the general point is not. Proposals to tie public health insurance to personal lifestyle (e.g., smoking) or college loans from public sources to academic performance in high school have as much merit as the new paternalism for welfare recipients. Imposing similar conditions *only* on the poor smacks of just the kind of tyranny of the majority that a rights-based liberalism correctly warns us against.

INCENTIVES NEED TO BE ACCOMPANIED BY SPECIFIC FORMS OF HELP

One way to guard against discriminatory policies is to apply the Rawlsian test—that is, to imagine oneself on welfare and to ask what conditions one would consider fair. As far as it goes, this is a reasonable criterion. The problem I see is that most of us who have achieved a middle-class lifestyle or better have a tendency to imagine that all our normal cognitive and psychological resources would be preserved intact if we were poor, and that all we would lack is money. But poverty often is corrosive, not only because of material deprivation, but more important, because it affects a person's self-image and sense of control. *Policies should not assume a capacity to adapt immediately to middle-class norms on the basis of purely economic incentives.* People need to be *helped* to take control of their lives, and not simply rewarded for doing so. If work is the goal, then training and assistance with finding a job may be the means to make this possible. If reducing teenage childbearing, and the welfare dependency that so often follows, is the goal, then making family-planning services more accessible, and poor women's life prospects more promising, may be essential. Moreover, people should be given opportunities to prove their competence in small increments that, because they are rewarded, are systematically reinforced. As Douglas Besharov of the American Enterprise Institute has emphasized, the behavior that we are trying to achieve needs to be within realistic reach of the recipient, and the incentives that are offered should encourage new modes of

behavior that can be internalized in the long run. He also notes the importance of being able to track the behavior in question. If truancy, for example, can't be accurately monitored by school authorities and reported to welfare offices, then bonuses for school attendance cannot be effectively administered.

INNOCENT VICTIMS NEED TO BE PROTECTED

The current welfare system is not neutral; it rewards childbearing. We would not give a welfare family a bigger grant if they went out and bought a car, but we do when they decide to have a baby.

Cars and babies, it will be argued, are different. To begin with, babies are not always planned. However, this is true of much impulsive consumption as well. Beyond this, children are the innocent victims of any curtailment of welfare benefits for larger families. In theory, one can argue that the costs imposed on children penalized under such a regime may be more than compensated for by the reduction in the number of children growing up in poor families. After all, we endanger the lives of hostages in order to deter further hostage taking. But if smaller welfare benefits for larger families do little to deter additional childbearing, this argument carries little weight. The costs imposed on children seem too high a price to pay for encouraging more responsible fertility decisions among their parents. We are left, then, with a dilemma. We do not want to reward childbearing among those unable to support their children, but we must reward it in order to protect their offspring. One way out of this dilemma is to link welfare benefits not to the number of children born but to a willingness to use effective family planning.

Seen in this context, the proposal of a Kansas legislator to give extra money to welfare mothers who agree to use Norplant is more reasonable than it might seem at first blush. (Norplant is a new long-term, virtually fail-safe, contraceptive implant that is as safe as the Pill and completely reversible.) Opponents of the plan argue that poor women would need the money so badly that they would, in effect, be coerced into forfeiting their right to have children. But where is the right established to have children at someone else's expense? Many middle- and working-class families are financially

constrained from having additional children, and their paychecks are not adjusted upwards should an unexpected baby arrive on the scene. Should Joe Sixpack be expected to pay for a welfare mother to have two children when, partly because of the taxes he pays, he can only afford one?

If we are serious about protecting innocent victims, we should reward contraception, not penalize children; at a minimum, people should have the means to effectively and safely plan their families.

PATERNALISM SHOULD BE USED SPARINGLY

Finally, we would be wise to use behavioral incentives sparingly. The criteria for their use have been thoughtfully laid out by Robert Goodin in his article, "Permissible Paternalism: In Defense of the Nanny State" (*The Responsive Community*, Vol. 1, No. 3, Summer 1991). Paternalistic policies are justified, he argues, in cases in which the stakes are high and individual preferences are unstable or inconsistent. Take once more the case of early childbearing. The stakes are certainly high both for society and for individual mothers and their children. The public costs of supporting a family begun by a teenager (in present value terms) averaged \$17,000 in 1989. Moreover, the life prospects of both the mother and her children are likely to be constrained. As a result, many women later regret having a baby as a teenager and find it inconsistent with their desire to obtain an education, hold a job, or marry someone other than the child's father. Similarly, surveys show that most welfare recipients want to work and that most drug addicts want to kick their habits. People's behaviors and their deep-seated preferences are not always consistent. Policies that accord with the latter are only paternalistic in the best sense of the word (assuming that people's deep-seated preferences can be reliably known). We understand this in dealing with our own children, especially adolescents, who are the group most at risk of prematurely damaging their lives. Public policies should be based on similar principles. Using the welfare system to get people to pay their rent on time, however, does not seem to meet either the "high stakes" or the "deep-seated preferences" criteria.

IN CONCLUSION

In the end, my view is that the new paternalism must be seriously considered because welfare programs that are not consistent with mainstream values will never be politically viable and will certainly not be adequately funded. At the same time, such approaches are only justified under certain conditions. Most important, there must be some evidence that the policies will actually work to change behavior, or that there is a willingness to combine them with services, counseling, or other measures that can help welfare recipients achieve the goals of the program. Otherwise, they are nothing more than a way of pandering to public opinion. In addition, paternalistic policies are likely to be more acceptable and be more appropriate when: (a) they are introduced as a means to reward rather than punish and are not used as a means to balance budgets on the backs of the poor; (b) they are applied in an evenhanded way that does not discriminate against the poor; (c) they are designed in ways that do not produce an infringement of individual liberties or create a new set of innocent victims; and (d) the stakes are high.

In the past, many experts and advocates, because they have largely ignored community values, have failed to develop welfare policies that are effective, respectful of individual rights, and acceptable to the public at large. This is no mean task. But if we fail now, a new paternalism that does not work, or is patently unfair, is not only what we will get but also what we will deserve.

Next—Noriega?

The U.S. Post Office is providing Americans with 5 million post cards to determine which of two pictures of Elvis Presley is to be used in honoring him on its stamps. In view of his conspicuous consumption of drugs, we suggest you vote "none of the above."