

WR - Personal Responsibility
~~Welfare Reform~~

Concept Paper

on

Welfare Reform

Douglas J. Besharov*
April 23, 1993

* Douglas J. Besharov is a visiting professor at the University of Maryland's School of Public Affairs and a resident scholar at the American Enterprise Institute for Public Policy Research.

SUMMARY OF RECOMMENDATIONS

Orientation: Welfare reform efforts should focus on long-term recipients, who are largely young, unmarried mothers who had their first baby as unwed teenagers.

Strategy: Our ability to help young mothers become self-sufficient after they have become mothers is limited. The best strategy is to focus on postponing parenthood until these young men and women are financially and emotionally ready.

Postponed Fertility: Review sex education programs for their timing, content, and quality of instruction. Consider support groups as an adjunct to classroom instruction.

Target contraceptive counseling on young women at greatest risk for unwanted pregnancy, including: (1) those who have had an abortion, (2) those who come in for a pregnancy test, even if it is negative; (3) those who have already had one or more children; and (4) those who have sought tests for sexually transmitted diseases.

Contraceptive services should be better coordinated with social welfare programs, such as: AFDC, WIC, Medicaid, child welfare, and drug and alcohol treatment programs.

✓ **Job-Oriented Education and Counseling:** Both high school and subsequent job training programs should emphasize vocational skills and "contextual learning," supplemented by enhanced job-counseling and job-finding services and mentoring programs.

✓ **Behavior-Related Welfare Rules:** State laws, regulations, and practices should be tailored to promote responsible behavior among AFDC recipients. Possibilities include encouraging recipients to stay in school or to get a job, to send their children to school, to obtain preventive health care for their children, to have fewer children, or even to get or stay married.

Subsidized job programs should be considered for harder-to-employ recipients.

7 **Integrated Service Centers for Teen Mothers:** Using federal waivers to integrate funding streams, create the modern version of the 19th century settlement house, where counseling, education, enriched child development services, and other activities to structure otherwise idle time are all provided under one roof.

✓ **Reformed Child Support:** Child support enforcement policies should be changed to allow mothers to keep a higher portion of what is collected (perhaps as much as 50 percent of payments until their income reaches the poverty line).

Implementation: The demonstration should be city-wide in scope, based on five-year waivers of the applicable state and federal categorical spending rules.

Evaluation: The project should be designed with the assistance of one of the respected firms which conducts this type of research.

Out-of-wedlock births to poorly-educated young people are the proximate cause of most long-term welfare dependency. Despite 30 years of trying, no one has come up with a program or approach that lifts these young mothers off welfare.

I believe that such efforts have failed for four reasons: (1) they do not confront teen sexuality and fertility; (2) they do not emphasize job-oriented education (both in high school and in later job training programs) to increase the employability of disadvantaged youth; (3) they do not acknowledge that many young mothers on welfare need firm guidance about their behavior as well as financial assistance; and (4) they misunderstand--and distort--the role that men play in the lives of welfare mothers and their children.

The following pages elaborate on these points and suggest a plan for implementing demonstration programs based on them.

Long-Term Welfare Dependency

Long-term welfare dependency is a serious and growing social problem. We often hear that about half of all new AFDC recipients are off the rolls within two years. This is true--but only because of the high turnover among short-term recipients. At any one time, about 82 percent of all recipients are in the midst of spells that will last five years or more. And about 65 percent are caught up in spells of eight or more years.¹

The bulk of long-term welfare recipients are young, unmarried mothers, most of whom had their first baby as unwed teenagers. With poor prospects to begin with, these young women have further limited their life chances by systematically underinvesting in themselves--by dropping out of school, by having a baby out of wedlock, and by not working. As a result, they do not have the education, practical skills, or work habits needed to earn a satisfactory living.

About 50 percent of all unwed teen mothers go on welfare within one year of the birth of their first child; 77 percent go on within five years, according to the Congressional Budget Office. (See Table 1.) Nick Zill, of Child Trends, Inc., calculates that 43 percent of long-term welfare recipients (on the rolls for 10 years or more) started their families as unwed teens.

¹For a full discussion of these issues, see Douglas J. Beharov, "Beyond Murphy Brown: We're Ignoring the Fact That All Single Mothers Aren't Alike," Washington Post, Sunday, 27 Sept. 1992, p. C3; and Douglas J. Beharov, "Not All Single Mothers Are Created Equal," American Enterprise, September/October 1992, p. 13-17.

Table 1

Percent of Adolescent Mothers on AFDC
By Time of First Birth²

	<u>By 1st birth</u>	<u>Within 1 year of birth</u>	<u>Within 5 years of birth</u>
All Mothers	7	28	49
Married	2	7	24
Unmarried	13	50	77
White	7	22	39
White, unmarried	17	53	72
Black	9	44	76
Black, unmarried	10	49	84

*all figures in percentages

*marital status is at birth of first child

As Table 1 indicates, a mother's age and marital status at the birth of her first child are stronger determinants of welfare dependency than is her race. One year after the birth of their first child, white and black unmarried, adolescent mothers have about the same welfare rate. After five years, black mothers have a somewhat higher rate (84 percent versus 72 percent), but various demographic factors account for this relatively small difference.

Long-term welfare dependency is worsening because, for 30 years, out-of-wedlock birth rates have been steadily increasing. Between 1960 and 1989, the rate of out-of-wedlock births almost doubled. Because the number of single women has also grown, the number of children born out of wedlock tripled, from 225,000 children to about one million. One in four American children is now born out of wedlock.

Besides changing the face of welfare, this demographic cataclysm has social and political implications. Because of different rates of out-of-wedlock births, in 1990, 40 percent of those on welfare were African Americans, who make up 12 percent of the general population; and 17 percent were Hispanic, who comprise 8 percent of the general population. Of perhaps even greater significance, 33 percent of all black children are on welfare

²Congressional Budget Office, Sources of Support for Adolescent Mothers (Washington, D.C., Sept. 1990), p. 52.

right now, as are 21 percent of Hispanic children. That is in contrast to six percent of white children.

Welfare reform efforts should focus on this group of long-term recipients, because from them stem so many of the serious social problems now afflicting our inner cities.

Past Efforts

Since the late 1960s, the federal government and many state and local agencies have tried various approaches to reducing long-term welfare dependency. Even richly funded demonstration programs find it exceedingly difficult to improve the ability of these young women to care for their children, let alone to become economically self-sufficient. Earnings improvements in the realm of six percent are considered successes. (Most programs don't even try to do something with the young fathers.)

The best known of these efforts were the job training and education demonstrations funded in the early 1980s and evaluated by the Manpower Demonstration Research Corporation (MDRC). California's welfare-to-work program is a case in point. In 1985, the state established the Greater Avenues for Independence (GAIN) Program, an education and training project for women on welfare. A six-county evaluation found that, over two years, average earnings for single parents increased by 20 percent (\$266 in the first year of the study and \$519 in the second), but total earnings reached only \$4,620. The county with the greatest improvement, Riverside, was able to increase earnings by \$2,099, although average total earnings over two years were still less than \$6,000--not nearly enough to lift these single mothers off welfare. The welfare rolls declined by only five percent in Riverside, and by a statistically insignificant amount across all of the other counties.

Even more disappointing were the results of "Project Redirection," a set of 11 demonstration projects (in different parts of the country) targeted specifically towards teenage mothers. Operated in the early 1980s for poor, pregnant girls aged 17 and younger, Project Redirection provided education, health care, and job training services. The impact analysis for this program showed modest positive results--but they disappeared after two years. Twelve months after entry into the program, Project Redirection participants (as measured against a comparison group of nonparticipants) were less likely to have had a repeat pregnancy (14 percent versus 22 percent), more likely to have used contraception during their last act of

intercourse (54 percent versus 45 percent), and more likely to have completed or pursued their basic education (56 percent versus 49 percent).³

By the 24-month follow-up, however, the difference in the rate of repeat pregnancies was no longer statistically significant (45 percent versus 49 percent), contraception use among the two groups was equal (54 percent)—because the comparison group, not the experimental group, had increased usage—and the rate of school enrollment or completion was identical (43 percent in both groups).⁴ Employment rates were similar after 12 months (14 percent versus 12 percent) and equal after 24 months (15 percent).⁵

Why haven't these efforts been more successful? Although they suffered from a number of design flaws and administrative weaknesses, the main problem is that such programs come too late in the lives of the young people involved. Let me explain.

These young people reach adolescence with poor life prospects because of systematic underinvestment in them—by their parents, by society, and, yes, by themselves. This, in turn, leads them to have a much more reckless attitude about sexuality and childbearing than more affluent teenagers. Combined with the other factors described in the discussion of "fertility" below, the result is too often a birth to a young couple which has no imaginable means of supporting the child. After the birth of one child to an unwed teen, the die begins to be cast. By the birth of a second child, or a third, the young woman is now in such a hole that getting her out is many times more difficult, more expensive, and more problematic than if the intervention had occurred before the birth of her first child.

The financial mathematics of the situation leads almost inexorably to long-term dependence; most single mothers do not have the job skills needed to earn enough money to make their families economically viable. As Sar Levitan of George Washington University explains: "Twenty-five to 44 year-old women with less than a high school education on average do not earn enough to maintain a family of three above the poverty line. The nearly

³Janet C. Quint and James A. Riccio, The Challenge of Serving Pregnant and Parenting Teens: Lessons From Project Redirection (New York: Manpower Demonstration Research Corporation, April 1985), p. 19.

⁴The experimental group showed higher percentages for those ever enrolled in school or in a GED program and for the average number of semesters of enrollment.

⁵Rates for those ever employed were higher among Project Redirection teens at both the 12-month interview (49 percent versus 38 percent) and the 24-month interview (61 percent versus 54 percent). Because the average age of participating teens was only 17 at the time of the 12-month interview, the sample of employed teens was quite small.

one-third of female AFDC adults who are younger than age 25 of course face even bleaker prospects."⁶

Average annual earnings for female high school dropouts are extremely low. In 1990, 18- to 24-year-old dropouts working full-time earned about \$11,033; 25- to 34-year-olds earned \$13,385. (Note that, in 1990, the poverty line for a family of three was \$10,419.)⁷ Even with the assistance of the Earned Income Tax Credit (EITC), these earnings only rose to \$12,417 and \$14,567 respectively. (See Table 2.) President Clinton's proposed increases in the EITC would raise these numbers significantly--to \$14,397 and \$16,196--but, as we will see, even this dramatic increase will not be enough to break the hold of AFDC.

Table 2

Mean Earnings of Female High School Dropouts
Working Full-Time (1990)⁸
Combined with the EITC

Age	Earnings	1992 EITC ⁹	1992 Total	Clinton EITC ¹⁰	Future Total
18-24	\$11,033	\$1,384	\$12,417	\$3,364	\$14,397
25-34	13,385	1,182	14,567	2,811	16,196

Table 3 illustrates the problem. Even if we ignore the \$4,440 in Medicaid benefits, the lower-salaried mother with two children will only earn \$1,149 more a year (\$.64 an hour) than a mother on welfare. The higher-salaried mother will earn \$1,372 more a year (\$.76 an hour) than the welfare mother. This is without considering the imputed value of leisure

*Good press
conf. material.*

⁶Sar A. Levitan and Frank Gallo, Jobs for JOBS: Toward a Work-Based Welfare System (Washington, DC: Center for Social Policy Studies, 1993), p. 35.

⁷House Committee on Ways and Means, 1992 Green Book (Washington, D.C.: Government Printing Office, May 1992), p. 1481.

⁸U.S. Bureau of the Census, Money Income of Households, Families, and Persons in the United States: 1990 (Washington, D.C.: Government Printing Office, 1991), p. 159. All amounts in current dollars.

⁹Randy Hall, Tax Law Two, Internal Revenue Service, telephone interview with Lisa Laumann, 23 April 1993. The 1992 rather than 1990 EITC figure is given, because there was a sharp increase in EITC between 1990 and 1992. Thus, the 1992 figure is a better estimate for our calculations.

¹⁰Janet Holtzblatt, Deputy Director of Individual Tax, U.S. Department of Treasury, telephone interview with Scott McClurg, 20 April 1993.

time, which the welfare mothers may well be using to hold down a job in the informal economy, as many recipients do.¹¹ Clinton's proposed expansion of the EITC puts both mothers in the black, at \$3,129 and \$3,001, respectively. (That would give them an hourly wage of about \$1.75 an hour.) Clearly, if they go to work under these circumstances, it would not be for the money.

Table 3

WELFARE VS. WORK

	<u>Welfare</u>	<u>Lower-Salaried</u> (\$11,033)	<u>Higher-Salaried</u> (\$13,385)
AFDC	\$ 4,668	\$ 0	\$ 0
Food Stamp	2,340	2,028	1,464
Medicaid	4,440	0	0
WIC	380	380	380
Housing	3,324	1,702	997
Earnings	0	11,033	13,385
EITC	0	1,384	1,182
Fed Income Tax	0	-19	-371
State Income Tax	0	-147	-269
FICA	0	-840	-1,024
Work Expenses	0	-3,660	-3,660
Total	\$15,152	\$11,861	\$12,084

The President's Plan

President Clinton has promised to "end welfare as we know it." In an oft-repeated formulation, he promised to "provide people with the education, training, job placement assistance and child care they need for two years--so that they can break the cycle of dependency. After two years, those who can

¹¹A study of 152 welfare recipients in Chicago, Charleston, and Cambridge by Kathryn Edin and Christopher Jencks found that AFDC and Food Stamps accounted for only 57 percent of their income. The rest came from friends, relatives, and absent fathers (21 percent), unreported work (10 percent), Supplemental Security Income and foster care (6 percent), illegal activities (3 percent), and other (3 percent). Kathryn Edin, "Monthly Expenditures of Welfare Mothers in Chicago, Charleston and Cambridge" (unpublished table).

work will be required to go to work, either in the private sector or in meaningful community service jobs."¹²

As proposed thus far, Clinton's plan would take the essential elements of the Family Support Act and give them a stronger bite. The Act does not force participants to work, simply requiring what is often a short stint in job training or other activities. Clinton, on the other hand, wants recipients to receive a full two years of training and education, which could include college classes. At the end of these two years, Clinton would require recipients to work or leave welfare, whereas now they can receive benefits indefinitely. Finally, all welfare recipients would be subject to the new rules, as opposed to only 20 percent under current law.

Clinton has refocused national attention on the problem of long-term welfare dependency, where it is sorely needed. Clearly, his plan to time-limit welfare appeals to a large swath of the public. The Republicans in the House of Representatives, for example, have developed a similar proposal.

The difficulty with time-limiting welfare is that the bulk of long-term recipients will not be able to find employment that pays nearly as much as their benefits--so they will be forced into the community service component of the program. Clinton has promised "community-service jobs," which is actually a euphemism for having recipients work to earn their welfare benefits (usually at the minimum wage).

At least in the short run, a "work-for-welfare" program would be much more expensive than the current system, because of added costs for administration (to establish and monitor job placements) and child care (to free mothers to work). Clinton staffers estimate that monitoring each job would cost \$2,100 annually; child care would add \$1,300. The additional cost of \$3,400 per family is about equal to the average AFDC grant. The Clinton campaign estimated that, under its reform plan, about 1.5 million young mothers would be required to take such jobs. That would mean that total AFDC expenditures would increase by at least a third.

The big question is whether such a "workfare" program would, by itself, appreciably reduce welfare rolls. The Clinton campaign estimated a 14 percent drop in caseloads within four years. Many believe that a work requirement might reduce the attractiveness of welfare for young people with poor earnings prospects. If young people know that the welfare agency is serious about mandating work, they will be less likely to view AFDC dependency as a possible life option. Over the long run, this could change behavior substantially--as the implications of the new regime sink into the consciousness of disadvantaged teens.

¹²For a full discussion of these issues, see Douglas J. Hesharov, "The End of Welfare as We Know It?" *The Public Interest* 111, (Spring 1993): 95-108.

The available research suggests that the number of AFDC recipients would decline, but that the reduction would be modest--even more modest than the Clinton campaign estimates. One of the few systematic evaluations of workfare was conducted in Ohio. Welfare recipients in eight counties were subject to a 12-hour-per-week work requirement. Of those on the welfare program for two-parent households, AFDC-UP (for "unemployed parent"), at least one adult was required to work up to 40 hours. After five years, projected AFDC caseloads were 11 percent lower than was predicted, based on the experience of other counties in the state. (The workfare requirements seemed to have a greater impact on AFDC-UP caseloads, which were a third lower.)¹³

Hence, the Clinton plan appears to be an important step forward but, like earlier efforts, it will probably founder on the severe needs of young unwed mothers.

A Preventive Strategy

Some see these "income versus welfare" figures as reason to make even larger commitments of funds and services to families on welfare. Besides the fact that even the best-funded demonstrations have not shown impressive impacts, such assistance could exacerbate dependency: A sharp increase in benefits--or services--could be seen as so valuable that they would draw more people onto welfare and keep them on longer.

My wife had a case that illustrates the problem. She is a social worker at Children's Hospital where one of her teenage clients was having trouble at home and at school. The young girl needed special assistance at school which was not forthcoming--until she got pregnant. Then, a virtual cornucopia of services opened. Do not think that this message was lost on the other girls in the school.

Society should not condition such valuable assistance on unwise behavior--unless it wants more of it.

That does not mean that we should not offer enhanced educational services, merely that they be provided without regard to welfare status. They are sound social investments, without considering their anti-poverty effects. If it makes sense for disadvantaged youths to attend college, help them to do so through Pell Grants and college loans. Do not condition support on being a single mother. If it makes sense to have an apprenticeship-like program, create one for all disadvantaged young people. We should not condition participation on single motherhood.

¹³Potomac Institute for Economic Research, "Impact of the Work Programs: A Long-Term Perspective" (January 1988).

In this context, one sees the ultimate futility--and danger--of efforts which try to help young mothers become self-sufficient after they have become mothers. The best strategy, therefore, would focus on postponing parenthood until these young men and women are financially and emotionally ready. I would propose four elements of such a strategy:

Postponed Fertility: Better sex education and increased availability of contraceptives are usually cited as the ways to achieve lower or delayed childbearing. (This includes more support for abstinence, as well as better contraception.) However, experience teaches that real progress toward this key objective requires simultaneous action on three other fronts.

Job-Oriented Education and Counseling: More responsible sexual behavior is closely associated with better perceived life prospects; young people who believe they have real opportunities are much more careful about having children. We need to expand the opportunities actually available to disadvantaged young people--through effective education and training. This, in turn, means providing more job-oriented education which gives disadvantaged youth the skills and competencies they need.

Behavior-Related Welfare Rules: Many young mothers on welfare need firm guidance about their behavior as well as financial assistance. They should be expected to provide a supportive and developmentally nurturing environment for their children. Welfare rules should be used to discourage further deterioration in their family and financial situations. Besides being good for the children involved, insisting that young mothers fulfill their basic responsibilities toward themselves and their children would make a life on welfare seem less alluring.

Reformed Child Support: While the main way to induce responsible behavior among males is to give them enhanced life opportunities through better education, a reformed child support enforcement program would provide a direct boost to the incomes of AFDC households and would create a more immediate sense of paternal obligation.

These recommendations may be surprising in a paper about "welfare reform," but the only way to successfully reform welfare is to change the antecedent conditions that lead young people to have babies they cannot care for.

Each of the foregoing elements is described in greater detail below.

Postponed Fertility

While many disadvantaged young people want to have the babies they have, many do not--as witnessed by high abortion rates. Young teens should be discouraged from having sex, and all teens should be encouraged to use contraceptives. Norplant has a role to play for young women who have frequent or regular sex.

Up to now, the locus of such efforts has been the schools. Besides the controversy generated by such things as condom distribution (and Norplant) in the schools, they have proven to be of limited effectiveness. (As of April, 1993, only a handful of students had had Norplant inserted at the Laurence G. Paquin School in Baltimore.) So, while school-based abstinence and sex education programs should be continued, they should be reviewed for their timing, content, and quality of instruction. Consideration should be given to using support groups as an adjunct to classroom instruction.

Other approaches are also needed. For example, Laurie Zabin and Janet Hardy, from the Johns Hopkins University School of Hygiene and Public Health, have suggested more precise targeting of contraceptive counseling on young women at greatest risk for unwanted pregnancy.¹⁴ The possibilities include: (1) young women who have had an abortion, (2) those who come in for a pregnancy test, even if it is negative; (3) those who have already had one or more children; and (4) those who have sought tests for sexually transmitted diseases.

Contraceptive services should be better coordinated with social welfare programs, such as: AFDC, WIC, Medicaid, child welfare, and drug and alcohol treatment programs. Some states are either integrating such services or outposting one program's staff in the offices of another. And, a handful of states have changed their welfare rules so that mothers receive no extra money for additional children.

Nevertheless, expanded services will not do it alone. The association between poverty, poor school performance, and poor life prospects on the one side and contraceptive nonuse or failure on the other is too obvious to ignore. As University of Pennsylvania sociologist Elijah Anderson notes, "Most middle-class youths take a stronger interest in their future and know what a pregnancy can do to derail it. In contrast, many [inner-city] adolescents see no future to derail--hence they see little to lose by having a child out of wedlock."¹⁵ Anderson describes a sexual game where young

¹⁴Laurie S. Zabin and Janet Hardy, Adolescent Pregnancy In An Urban Environment: Issues, Programs, and Evaluation (Washington, D.C.: The Urban Institute Press, 1991), pp. 314-315.

¹⁵Elijah Anderson, Streetwise (Chicago: University of Chicago Press, 1990), p. 113.

girls are lured into having sex by promises from older boys of love and marriage. Because the inner city has a dearth of good jobs, he argues, peer groups emphasize sexual prowess as evidence of manhood, with babies serving as proof.

Because those young people who have the most to look forward to are the most responsible about their sexual practices, it is not too much of an exaggeration to say that good education and real opportunities in life are the best contraceptives. In fact, innovative programs like Best Friends in Washington, D.C., base their appeal on the connection between sexual practices and opportunity. This program uses weekly group sessions, with an adult moderator, in which teen girls discuss boys, relationships, and self respect. The idea is to provide mutual support for continued abstinence. In all that it does, the program seeks to inspire the need to develop future goals. "We don't tell them that having sex is immoral," says Elayne Bennett, founder of Best Friends. "Instead, we tell them, 'If you want to get someplace in life, you need to have a plan. This plan must include finishing school, and that means that you must not get pregnant.' And we tell them, 'The only guaranteed way to avoid pregnancy is to abstain from sex.'"

But we also need to expand the opportunities actually available to disadvantaged young people--and that means providing more effective education and training.

Job-Oriented Education and Counseling

While everyone would like to see disadvantaged children grow up to be lawyers, doctors, and accountants, or at least white collar workers, the unalloyed truth is that most are destined for more modest careers in service, clerical, or manufacturing occupations. Thus, the current emphasis on college preparatory courses in high school and on academic-like, "basic skills" in job training programs does not give disadvantaged youth the skills and competencies they need.

Instead, more attention should be paid to vocational education in high school and its modern counterpart, "contextual learning." Learning in context, also referred to as "functional context learning," bridges the gap between classroom education and hands-on job training. Using this approach, traditional instruction is integrated into the training program as workplace materials and experiences are used to help workers learn and apply job-oriented basic skills.

Research funded by the Rockefeller Foundation, for example, has demonstrated the effectiveness of this approach. The Foundation's "Minority Female Single Parent Demonstration" found that immediate, job-specific training (in data entry, electronics assembly, machine shop, and shipping, for example) with a strong focus on getting trainees into jobs may

be a more effective way to improve earnings of single mothers than are alternative strategies that seek to improve basic skills before offering job training.

A 30-month evaluation of the four Rockefeller programs revealed that only the site which placed all of its participants directly in job-skills training (as opposed to education or basic skills training) showed any significant impact on monthly earnings. The Center for Employment Training (CET) produced monthly earnings increases of \$101 over a control group mean of \$450.¹⁸

Thus, both in high school and in later job training programs, there should be a renewed emphasis on vocational skills and contextual learning. This includes the newly popular "apprenticeship" programs, although the two-plus-two approach (two years in high school followed by two years in a training program or community college) may require too great an investment of time and energy for the average inner-city youth.

It may be possible, for example, to obtain special waivers so that federal and state job training funds, as well as vocational training dollars, can be funneled into a more focused, job-oriented training program in high schools or elsewhere in the community.

But training is only one aspect of what is needed. Studies by William Julius Wilson and others show that just as much as a skills deficit, many inner-city youths (especially African Americans) suffer from a lack of awareness of and connection to the labor market. In the cities studied, for example, Hispanics, even if newly arrived, have better job-finding networks. Therefore, high schools and job training programs should have guidance counselors who can tell students about service, clerical, and manufacturing jobs, not just college. These counselors should help students understand what kinds of jobs exist for them--and help them find and get such jobs.

In addition, school-based mentoring programs show promise, and should be pursued.

Some will read the foregoing and point out that reforming educational institutions may be even harder than reforming welfare. Perhaps, but that is where the solution lies. We should not try to fix welfare if the problem is caused by the education system. In the absence of good high schools--and

¹⁸ Anne Gordon and John Burghardt, The Minority Female Single Parent Demonstration: Short-Term Economic Impacts (New York: The Rockefeller Foundation, March 1990), pp. 48-49. No significant improvements were found, however, in employment rates; the rate was 46 percent for the treatment group and 42 percent for the control group. (John Burghardt et al., Evaluation of the Minority Female Single Parent Demonstration: Summary Report (New York: The Rockefeller Foundation, October 1992), pp. 19-25.)

good vocational education for young people who do not do well in classroom settings--no approach to welfare reform will work.

Behavior-Related Welfare Rules

By having a baby without the financial and emotional means to care for it, a teen mother has already demonstrated that she does not make the wisest decisions. The plain fact is that many young mothers on welfare need firm guidance about their behavior. And yet, most past efforts to improve the functioning of these young mothers have depended on their voluntary participation, with predictably disappointing results.

Since 1963, categorical programs serving disadvantaged children and families have proliferated. The costly inefficiency of this atomized approach has been widely lamented; social workers, for example, rarely have the time to get as involved with their clients as they once did. But seldom mentioned is the impact of this fractionalization on the moral voice of social agencies.

Agencies, and individuals within agencies, are free to send their own "message," whether or not it is consistent with those of others serving the same family. Rebecca Maynard of Mathematica Policy Research, Inc., directed the evaluation of federally funded demonstration programs for teenage mothers on welfare in Chicago, Illinois, and in Newark and Camden, New Jersey. She describes how the caseworkers in one of the teen centers encouraged the young mothers to seek child support from the fathers of their children, only to discover that the welfare department's caseworkers (who would be responsible for collecting it) were giving the exact opposite advice.

Another example of contradictory signals was discovered during the evaluation of a group of Rockefeller Foundation-funded welfare-to-work projects. Job training caseworkers were actively encouraging the mothers to build specific work skills and look for jobs. But, simultaneously, caseworkers in a community-based project, who sought to "empower" these same mothers, were telling them that they had a right to be on welfare, and that they should take advantage of the opportunities afforded by AFDC to stay home, to take care of their children, and to finish their schooling. When social agencies convey such opposing messages, is it any wonder that they have so little success in redirecting the lives of their clients?

If it were possible to have all social workers send a consistent message, what would we want it to be? To answer this question it helps to ask another: What would concerned parents say to their own daughter?

Their message would probably be quite direct: (1) Finish your schooling: If you have not graduated from high school, stay in school; if you dropped out, go back to school. (2) Take care of yourself and your baby:

Eat well; get medical checkups for yourself while you are pregnant and then for your baby; and do the best you can to meet your child's physical, emotional, and developmental needs. (3) Work: After you complete your schooling, get a job, even a part-time one. (4) Seek child support: Tell us who the father is so that we can get him to contribute to the support of the child. (5) Use birth control: You made a mistake once, don't do it again. Each additional child makes it harder to work your way off welfare since your home expenses will rise faster than your earning ability. And, finally, (6) Try your best: Throughout, we will help you--as long as you try your best; we will take care of your child while you are in school or at work. If you cannot earn enough to support yourself and your child, we will chip in.

Why don't we give young mothers on welfare this message? The proximate cause is the fractionalized nature of our social welfare system. Because there are so many different individuals and agencies involved, the process of social intervention is more like an assembly line than a guiding relationship. But unlike an assembly line, the final product is never completely assembled--so no one realizes that the pieces do not fit together.

The current system speaks with too many voices to have any impact. Recipients do not hear a clear message about what society expects of them, if one is even sent. As a result, they come to believe that there are no expectations.

On a system-wide basis, we need to integrate the goals as well as service structures of public welfare agencies. This, in effect, is what Bill Clinton was suggesting in his statement that welfare programs should "provide people with the education, training, job placement assistance and child care they need for two years--so that they can break the cycle of dependency. After two years, those who can work will be required to go to work, either in the private sector or in meaningful community service jobs."

Even before Clinton made his proposal, governors and legislators in more than half the states had proposed legislation which would use welfare programs to promote responsible behavior among recipients. Some encourage welfare recipients to stay in school or to get jobs; others encourage them to send their children to school, to obtain preventive health care for their children, to have fewer children, or even to get or stay married.

No two of these state proposals are alike. But they all share a common theme: Welfare payments should be contingent upon certain behaviors. As Hillary Clinton explained: "What happened in Arkansas is that people who refused for whatever reason to participate had their benefits cut. . . . It's a signal. It's a behavioral signal--very few people, if

they believe they're going to suffer consequences, will persist in that behavior."¹⁷

To the surprise of many, these proposals (sometimes called the "New Paternalism") received largely favorable reviews in the press, despite the hardships they might inflict on recipients whose behavior did not change. The New York Times, for example, called the New Jersey proposals, including the cap on benefits for additional children, "a compassionate, realistic blueprint for dealing with an intractable problem."¹⁸

Recent demonstration projects, moreover, have shown that it is possible to mandate more constructive behaviors, such as high school attendance, well-baby care, and immunizations--without being overly punitive and without creating hostility among the young mothers. In mid-April, MDRC announced the results of the Ohio Learning, Earning, and Parenting (LEAP) program, a demonstration aimed at promoting school attendance among teenage mothers on welfare. The program, which gives welfare bonuses (of \$62 a month) to teenage mothers who stay in school and cuts the benefits (also by \$62) to those who drop out, produced improvements in attendance and graduation rates.

According to a 12-month follow-up study, 61.3 percent of LEAP students continued their education, compared to 51.1 percent of the control group. Of the LEAP participants who were already dropouts, 47 percent went back to school compared with 34 percent of the control group. The study found that LEAP did not do as well with long-term dropouts as with short-term ones.¹⁹

Appendix B contains a chart listing these proposals, including those made in Maryland. Each should be carefully considered for its appropriateness.

Subsidized jobs are an often-overlooked way to encourage work among harder-to-employ recipients. Recipients are given public or private jobs the costs of which are subsidized by other sources, often from funds which would otherwise have gone into their welfare grants.

In January 1983, the Health Care Financing Administration (HCFA) awarded grants to seven states to establish the AFDC Homemaker-Home

¹⁷"We Are All in This Together: Hillary Rodham Clinton speaks out on the issues," Newsweek, 15 February 1993, pp. 22-23.

¹⁸"Mr. Bush and New Jersey's Welfare," New York Times, 3 February 1992, editorial page.

¹⁹Spencer Rich, "Welfare Bonus Seen Keeping Moms in Class," Washington Post, 12 April 1993, p. A9:1.

Health Aide Demonstrations. These projects sought to move AFDC recipients off welfare by providing them with four to eight weeks of training, followed by up to one year of subsidized employment as homemakers or home-health aides. The trainees provided up to 100 hours per month of in-home health care services to clients who were elderly or disabled and at risk of institutionalization. Of the women selected for the demonstrations, 27 percent were white, 62 percent were black, and 12 percent were of other races. Nine percent had no education beyond the eighth grade, 35 percent had not graduated from high school, 35 percent were high school graduates, and the remaining 21 percent had completed some post-high school education.

Evaluating these HCFA projects, Abt Associates, Inc., found that, both during and after the demonstration, trainee earnings were increased and their welfare benefits were reduced, relative to a control group. Following the period of training and subsidized employment, trainees in six of the seven states experienced increases in monthly earnings of between \$28 and \$215.²⁰ During the first year after the demonstration, monthly control group earnings were between \$139 and \$270; in the next year, they ranged from \$182 to \$337 per month. In all seven states, the demonstrations reduced participation in the AFDC and Food Stamp programs. In six of these states, combined monthly benefits during the demonstration period were between \$20 and \$170 lower than those of the control group (which ranged from \$302 to \$556). During the first year following the demonstration, combined monthly benefits were reduced by between \$53 and \$134 in six states; they were reduced by between \$38 and \$95 in three states during the second year after the demonstration.²¹

Integrated Service Centers for Teen Mothers

Mandated community service, as proposed by President Clinton, may be the only way to build the job skills and work habits of those who cannot support themselves through the regular job market. Inactivity is bad for everyone; it can be devastating for those only loosely connected to the labor market. Child abuse, drug abuse, and a host of social problems are associated with long-term welfare dependency. A work requirement will help to reduce their levels.

²⁰Earnings were measured at the end of each of the two years following the demonstration period. All figures are adjusted 1984 dollars.

²¹Stephen H. Bell and Larry L. Orr, "Is Subsidized Employment Cost-Effective for Welfare Recipients? Experimental Evidence from Seven State Demonstrations" (Research funding provided by the U.S. Department of Health and Human Services, Health Care Financing Administration). (Washington, D.C.: Abt, Associates, undated).

Nevertheless, the problems of some young mothers will prevent them from satisfying even the minimal obligations of a part-time community service job. That's why MDRC president Judith Gueron, the prime evaluator of much of the last decade's welfare reform programs, warned: "I think that if we introduce time limits on welfare, we'll have more women and children living in Grand Central Station. . . . There are a great many welfare recipients who are very marginal in terms of their ability to work. Some are clinically depressed, or were abused as young women. This is not a group that just needs a good kick to get their act together."²²

But continued idleness would be an unwise accommodation to the mother's needs. Their lives desperately need the structure that only the larger society can provide. These young mothers may need a modern version of the 19th century settlement house, where counseling, education, enriched child development services, and other activities to structure otherwise idle time are all provided under one roof.

Many young mothers would participate in these programs voluntarily or with a gentle prod, but many others would only come after the threat and perhaps imposition of a financial sanction. What would such a program look like? Could it achieve high levels of compliance? A recent three-site demonstration provides an initial answer.

Between 1987 and 1991, the Department of Health and Human Services operated the Teenage Parent Demonstrations in Camden and Newark, New Jersey, and in Chicago, Illinois. These projects required that all teen mothers participate. If they failed to do so, they were subject to a reduction of their welfare grant by the amount allocated to the mother, generally a third to a half of the family's grant, or about \$160 per month.

Within their designated catchment areas, the Teen Parent Demonstrations required first-time mothers ages 14 to 19 to participate in education, job training, and work placement programs. No exceptions were made for mothers with very young children or mothers still in school. In fact, over 60 percent of the children were under six months old; 80 percent were under one year. (Over one third of the teenagers required to participate would have been exempted from the less stringent JOBS program.) What happened?

The first step was registration for the program, which included a preliminary session during which the mothers took a basic skills test and met the program staff. There were high rates of compliance without the imposition of sanctions because the threat was real and readily apparent to the mothers (and registration was a minimal burden on them). Over 30

²²Judith Gueron, quoted in Erik Eckholm, "Solutions on Welfare: They All Cost Money," New York Times, 26 July 1992, p. A18.

percent of the teen mothers came in after receiving notice of the program, and another 52 percent came after they were warned of a possible reduction in their grant. Six percent had to be penalized before they would come in, and the remaining 12 percent never came at all.

After the initial assessment, the teen mothers were required to participate in workshops, public school classes, and education and training programs--activities which would presumably be included in the first two years of the Clinton plan. At this point, participation fell off sharply, dropping to about half. Even this low level of attendance was obtained only by heavy sanctioning. Sixty-two percent of participants who remained received formal warnings, while 36 percent had their grants reduced for at least one month.

Why this seeming lack of concern about receiving a full welfare grant? Some think it is because these women are unable to follow through with activities, even those which are in their own economic interest. This is partly true, but there are also other forces at work. The evaluators of the Teenage Demonstrations believe that the mothers in their programs also had additional sources of support.²² It may be that some young mothers have decided that they do not really need the money or that it costs too much in forgone income to attend the programs.

There is another possibility, which is more disturbing: The young mothers came into the programs, willing to try them out, but did not like what they saw. That would help explain the difference between rates of initial and subsequent participation.

Thus, the challenge would be to build a program which is both effective and capable of sustaining the long-term participation of the mothers. This will take further work, but the program's essential elements would include: Educational services including classes in cooking and housekeeping, literacy, and child development and parenting; child care for the mothers while they are in classes, work, or other activities; health services for the mothers and the children; some form of home visitation for families at risk of other social problems; sadly, for a large group, drug and alcohol abuse treatment services; anti-smoking services; and finally, contraceptive services, especially for the younger mothers. (These services should be voluntary in every sense of the word but they should be provided with a clear message that, just as doing drugs is stupid, so is having another child.)

Such comprehensive services would be very expensive. The question is, how would they be funded? Based on our last two years of work, we have concluded that, if existing funding streams could be fused or

²²See the discussion of other earnings in the section on child support.

channelled, they could provide the basic support for such a program. This would require federal waivers to combine streams.

The base for such a program could be the expanded Head Start program which everyone seems to support. Head Start professionals call this approach "two-generational" programming. ✓

Reformed Child Support

Read academic journals and books, professional manuals, and even the newspapers, and you would conclude that, except at the time of conception, there are no men in the lives of young welfare mothers. The truth is that men, whether or not they are the fathers of the children, play a decisive, though often destructive, role.

Although information about the men in AFDC households is limited, we have learned some important things from recent research.²⁴ We know that as many as a third of all unwed fathers aged 18 to 26 live with women who are on AFDC and who are often the mothers of their children (another third or more live with their own mothers); from a quarter to a half of them visit the hospital when their children are born; many give money, or material goods (including baby products like disposable diapers), to the mothers of their children or the women they are seeing (as much as 20 percent of the income of AFDC mothers comes from these men); and many of them provide extensive child care while the mothers are out of the house.

We also know that many of these men pressure women to have unprotected sex with them, and that many exploit them in more direct ways. Anderson quotes one woman who became pregnant at the age of 17 as remembering how the boys will "take you out. Walk you down to Center City, movies, window shop. They point in the window, 'Yeah, I'm gonna get this. Wouldn't you like this? Look at that nice livin' room set.' Then they want to take you to his house, go to his room: 'Let's go over to my house, watch some TV.' Next thing you know, your clothes is off and you in bed havin' sex, you know."²⁵

Altogether, then, it seems extremely naive to expect programs to achieve major change in the behavior of young women when they ignore the presence—and influence—of these men. We are most likely to change the behavior of these men through better educational and job training

²⁴See generally Family Impact Seminar, Young Unwed Fathers and Welfare Reform (Washington, D.C.: November 1988).

²⁵Elijah Anderson, Streetwise (Chicago: University of Chicago Press, 1990), p. 117.

opportunities, as described above. But more direct efforts should also be made.

A good start would be with child support. In 1990, only 58 percent of all single mothers had orders of child support issued against the fathers of their children. Of the orders in existence, only 51 percent were fully paid. For 25 percent of existing orders, no payments were made--at all.³⁶

The numbers are more telling when it comes to "never-married mothers," the Census Bureau term for unwed mothers who do not subsequently marry. Only 20 percent of never-married mothers were awarded child support payments, compared to 77 percent of divorced mothers.³⁷ Furthermore, on average, payments to never-married mothers were only 57 percent of those to divorced mothers (\$1,888 vs. \$3,322).

Heightened child support enforcement could improve the economic situation of families; the amount of uncollected child support is enormous. In FY 1990, \$5.5 billion in child support was collected, but this was only 23 percent of the \$23.8 billion reported as being owed.³⁸ In addition, researchers have concluded that beyond what noncustodial fathers are currently ordered to pay, they could afford to pay an additional \$22 to \$30 billion.³⁹

Although enforcement procedures and techniques could be tightened up, the main reason why these child support figures are so low is that our laws are outmoded--and counterproductive. Here's how it works: In a misguided effort to save taxpayer dollars, the law says that, except for the first \$50 a month, all the child support collected from the father of a child on AFDC goes to the government (to reimburse welfare), not to the child. As a result, the young mother has little incentive to cooperate with the authorities. If she does, she will lose the money he pays informally; she will

³⁶U.S. Department of Health and Human Services, Office of Child Support Enforcement, Child Support Enforcement: Fifteenth Annual Report to Congress For the Period Ending September 30, 1990 (Washington, D.C.), pp. 6-7.

³⁷Bureau of the Census, U.S. Department of Commerce, Child Support and Alimony: 1987 (Washington, D.C.), p. 5.

³⁸U.S. Department of Health and Human Services, Office of Child Support Enforcement, Child Support Enforcement: Fifteenth Annual Report to Congress For the Period Ending September 30, 1990 (Washington, D.C.), pp. 6-7.

³⁹See Irwin Garfinkel and Donald Oellerich, "Noncustodial Fathers' Ability to Pay Child Support," University of Wisconsin-Madison, Institute for Research on Poverty, IRP Discussion Paper 815-86 (1986); and Ron Haskins et al., "Estimates of National Child Support Collections Potential and the Income Security of Female-headed Families," U.S. Department of Health and Human Services, Social Security Administration, Office of Child Support Enforcement, Final Report, Grant 18-P-00259-4-01, 1985.

probably alienate the man with whom she may have an on-going romantic or at least parenting relationship; and she may be greeted with hostility by friends and relatives who view child support as a "tax from city hall." Some even call it a "tax on black fathers."

A number of observers have noted this problem. At least one state, Georgia, has obtained a waiver of federal regulations to conduct a demonstration program in which AFDC mothers are given child support directly (rather than having it funneled through their welfare check). The child support paid is treated as income, which also reduces their AFDC grants, but not by nearly as much as the current system does.

This is an important step in the right direction. But it is unlikely to provide a sufficient incentive for most welfare mothers to "turn on," or at least turn in, the fathers of their children. If we expect to change behavior, we have to make it worthwhile. Child support enforcement policies should be changed to allow mothers to keep a higher portion of what is collected (perhaps as much as 50 percent of payments until their income reaches the poverty line).

Implementation

Many of the changes described above require a change in expectations of inner-city youth--about sexual behaviors, job opportunities, maternal responsibilities, and paternal obligations. This adds substantial requirements to an implementation plan.

First, since the community as a whole tends to establish and enforce behavioral norms, to obtain a change in expectations (and, hence, in behavior), the project will need to be community-wide in scope. (This, by the way, will entail an extensive process of consultation and negotiation.)

Second, even if the projects are community-wide, it will probably be some time (a number of years, actually) before new expectations take root and behaviors begin to change. Hence, it is important to adopt a four- or five-year perspective on the effort.

Finally, many of the proposed changes will raise costs, at least in the short run. In the past, most demonstrations have relied on new money (from Washington and the community) to cover the added expense. But to mount the kind of intensive, community-wide effort being suggested will require much more money than would be available as add-on funding. The only way that such services will be remotely affordable is if existing social welfare funding streams can be channeled into reoriented program categories.

For these reasons, the preferable approach to implementing this demonstration would be to make it city-wide in scope, based on five-year waivers of the applicable state and federal categorical spending rules.

Evaluation

The history of social engineering is strewn with examples of the perverse and unintended consequences of even the most promising programs. Too many questions remain unanswered to rush headlong into a radically reorganized welfare system. Instead, there should be a multi-phase plan, with progressive levels of implementation based on careful evaluations of what has gone before. As all sides of the welfare reform debate have come to agree, we need properly controlled experiments to determine the effects of new policies.

I would, therefore, recommend that the actual project be designed with the assistance of one of the respected firms which conducts this type of research, such as Manpower Demonstration Research Corporation or Mathematica Policy Research, Inc. (on whose board I serve).

APPENDIX A

CALCULATIONS AND SOURCES

Appendix A provides the calculations and sources for all the statistics presented in this paper.

As Table A1 shows the average total welfare package (including housing benefits which are available to only about a third of all recipients, but to a much higher percentage of long-term ones) comes to \$15,152.

AFDC Benefits

Table A1

Average Annual AFDC Benefits
All States (1990)¹

AFDC	\$ 4,668
Food Stamps	2,340
Medicaid	4,440
Housing	3,324
WIC	380
<hr/>	
Total	\$15,152

In addition to these benefits, the average AFDC family receives about \$1,300 in transitional and AFDC child care. It also receives other forms of free child care from Head Start and a host of other public and private programs. These figures are not included here because they only indirectly affect the work calculus and because we have included a child care expense for working.

¹ Harold Beebout, Implications of Integrated Services for Participation Levels in Low-Income Assistance Programs (Washington, D.C.: Mathematica Policy Research, Inc., March 1993), p. 19. All welfare benefit figures were given as monthly and annualized by multiplying by 12. WIC figure is for 1991, because 1990 figure was unavailable. House Committee on Ways and Means, 1992 Green Book (Washington, D.C.: Government Printing Office, May 1992), pp. 1687-1689.

Housing subsidies are estimated to reach only about one third of all AFDC recipients. AFDC recipients are required to contribute 30 percent of their cash income to rent (in this case, \$117 monthly or 1,400 annually). The \$3,324 figure represents the amount the government subsidizes this rent.

It is true that most AFDC recipients do not view the \$4,440 in Medicaid benefits as real income. However, since the loss of benefits is widely viewed as an obstacle to leaving welfare, we have included them here. Medicaid benefits were not included in our calculations comparing AFDC mothers and low-income working mothers.

The Bureau of the Census created a method to calculate the value of non-cash benefits. The Medicaid valuation approach adopted is called the "fungible value" approach. The benefits of being covered by Medicaid are counted as income to the extent they free up resources that could have been spent on medical care.

To calculate this for a given family, one must first take into account whether the family can meet basic food (using the Thrifty Food Plan) and housing requirements (using HUD's Fair Market Rent Series). If the family has no resources after meeting these requirements, then the Medicaid benefits have no income value. If, on the other hand, after deducting for food and housing, the family has left-over resources of as great or greater value than the mean medicaid outlay (market value) for a family in the same risk class, then medicaid benefits have full income value. Medicaid benefits have partial income value, if the family's resources are between the first two conditions. For the average woman on AFDC, Medicaid benefits would be valued somewhere between \$0 and \$400, depending on the amount and number of benefits she received.

Table A2 describes the mean medicaid outlay by risk class. The figures are from 1989, because 1990 data were unavailable.

Table A2

Mean Medicaid Outlays by Risk Class
(1989)²

Age 21-64, nondisabled \$1,259
Less than 21, nondisabled 1,214 (\$607 per child)

For family of 3 (2 children) \$2,473

Average Earnings of Female High School Dropouts

Table A3 gives the average full-time earnings of female high school dropouts for two different age groups.

Table A3

Mean Earnings of Female High School Dropouts
Working Full-Time/Full Year (1990)³

<u>Age</u>	<u>Earnings</u>
18-24	\$11,033
25-34	13,385

²Bureau of the Census, Measuring the Effect of Benefits and Taxes on Income and Poverty: 1989 (Washington, D.C.: U.S. Government Printing Office, 1990), pp. 111-114.

³U.S. Bureau of the Census, Money Income of Households, Families, and Persons in the United States: 1990 (Washington, D.C.: U.S. Government Printing Office), p. 159.

Taxes

Table A4 shows the state and federal income taxes as well as Social Security and Medicare taxes (FICA) that the two working mothers will have to pay.

Table A4

Federal and State Income Taxes and Social Security Taxes
By Income (1990)

	<u>\$11,033</u>	<u>\$13,385</u>
Federal Income Tax ⁴	\$ 19	\$ 371
State Income Tax ⁶	147	269
FICA ⁸	840	1,024
Total	<u>\$1,006</u>	<u>\$1,664</u>
After Tax Income	\$10,027	\$11,721

Earned Income Tax Credit

Table A5 gives the Earned Income Tax Credit (EITC) each worker would receive in 1992 and under Clinton's proposed increases in EITC. An additional supplemental health insurance credit component of the EITC is available for some health insurance premiums. In 1992, the maximum health insurance credit was equal to 6 percent of the first \$7,520 of earned income, or \$451.⁷ This supplemental credit was not included in our calculations, because it is unclear whether these particular hypothetical mothers would claim it, either because they would receive medical benefits from their employees, or because they would have no claimable expenditures.

⁴Jim Nunns, Office of Tax Policy, U.S. Department of the Treasury, telephone interview with Lisa Laumann, 21 April 1993.

⁶Geraldine Whiting, Controller of Treasury, Department of Tax, Arlington County, Virginia, telephone interview with Lisa Laumann, 21 April 1993.

⁸John Bakija, The Urban Institute, telephone interview with Lisa Laumann, 21 April 1993.

⁷House Committee on Ways and Means, 1992 Green Book, (Washington, D.C.: U.S. Government Printing Office, May 1992), p. 1017.

Table A5

Earned Income Tax Credit
by Selected Salary Ranges

<u>Salary Range</u>	<u>1992^a</u>	<u>Clinton Proposal^b</u>
\$10,730-11,250	\$1,384	\$3,364
13,000-14,000	1,182	2,811

Food Stamp/WIC

Table A6 shows the WIC and food stamp benefits for the two working mothers.

Table A6

Annual Food Stamp and WIC Benefits
for Low-Income Mothers (1990/1991)

	<u>\$11,033</u>	<u>\$13,385</u>
Food Stamps ¹⁰	\$2,028	\$1,464
WIC ¹¹	380	380

^aRandy Hall, Tax Law Two, Internal Revenue Service, telephone interview with Lisa Laumann, 22 April 1993.

The 1992 rather than 1990 EITC figure is given, because there was a sharp increase in EITC between 1990 and 1992. Thus, the 1992 figure is a better estimate for our calculations.

^bJanet Holtzblatt, Deputy Director of Individual Tax, U.S. Department of the Treasury, phone interview with Scott McClurg, 19 April 1993.

¹⁰House Committee on Ways and Means, 1990 Green Book (Washington D.C.: U.S. Government Printing Office, June 1990), pp. 1258-1265.

¹¹House Committee on Ways and Means, 1992 Green Book (Washington, D.C.: U.S. Government Printing Office, June 1990), p. 1687. The 1991 rather than 1990 WIC benefit value was used, because the 1990 estimate was not available.

The 1990 monthly net income eligibility limit for food stamps was \$839 for a mother with two children. Net income is derived from the monthly gross income minus an inflation indexed standard deduction set at \$112 in 1990 minus 20 percent of any earned income, in recognition of taxes and work expenses, minus out-of-pocket dependent care expenses related to work, set at \$160 per dependent, minus any shelter expenses, to the extent they exceed 50 percent of counted income after all other deductions.

Thus, the lower-salaried mother has a monthly net income of about \$303. This is calculated as follows:

monthly salary (\$919) minus standard deduction (\$112)
minus 20 percent of earned income (\$184) minus deduction
for two dependents (\$320).

Her monthly food stamp allotment is therefore \$169 (maximum allotment minus 30 percent of net income), and her annual allotment is \$2,028.

The higher-salaried mother, with a net income of \$460, will receive about \$122 a month in food stamps (or \$1,464 annually):

monthly salary (\$1,115) minus standard deduction (\$112)
minus 20 percent of earned income (\$223) minus deduction
for two dependents (\$320).

The WIC income eligibility limit is 185% of the current poverty income guideline (\$19,275 in 1990), so both mothers receive WIC benefits. There are six WIC benefit packages that vary according to the nutritional needs of the mother and the age of the children. In 1991, the estimated value of the monthly package was \$32.

Work Expenses

Table A7 shows the work-related expenses for one particular working mother. Jason DeParle, writing in the New York Times, calculated the yearly work-related expenses of one woman in Chicago who went to work after many years on welfare:

Table A7

Annual Work-related Expenses¹²

bus/train pass	\$720
work clothes	240
child care	2,700
Total	<u>\$3,660</u>

¹²Jason DeParle, "When Giving up Welfare for a Job Just Doesn't Pay," *New York Times*, 8 July 1992, p. A1.

Housing

At either salary level, the working mothers would be eligible for rental assistance, although at a lower level than the AFDC mother: Housing recipients are all required to pay about 30 percent of their adjusted salary as rent. (The working mothers can deduct \$960 from their earned income for their two children, and a reasonable amount for child care.) This leaves the lower-salaried mother with a monthly rent of only \$252 (\$3,024 annually) and the higher-salaried mother with a monthly rent of \$311 (\$3,727 annually). See Table A8.

Table A8

Annual Rent and Housing Subsidy
by Adjusted Income (1990)

	<u>Adjusted Income</u>	<u>Rent</u>	<u>Government Subsidy</u>
AFDC	\$4,668	\$1,400	\$3,324
Low-salary	10,073	3,022	1,702
Higher-salary	12,425	3,727	997

Rent for the AFDC mother is calculated by simply taking 30 percent of all her cash assistance. In this case, this is equal to 30 percent of her AFDC benefit (\$1,400). If the average housing subsidy for a family of three on AFDC is \$3,324,¹³ then we can estimate that a typical annual rent for a family of three with similar means is \$4,724 (\$1,400 + \$3,324). This 'total rent' figure is used to calculate the other mothers' rent and housing subsidy.

Rent for the working mothers would be calculated as follows:

Low-salaried

Total rent (\$4,724) minus [(Gross earnings (\$11,033) minus deduction for two dependents (\$960)] times 30 percent]

Mother's rent: \$3,022

Government subsidy: \$1,702

¹³Harold Beebout, Implications of Integrated Services for Participation Levels in Low-Income Assistance Programs (Washington, D.C.: Mathematica Policy Research, Inc., March 1993), p. 19.

Higher-salaried

Total rent (\$4,724) minus [(Gross earnings (\$13,385) minus deduction for two dependents (\$960)) times 30 percent]

Mother's rent: \$3,727

Government subsidy: \$997

APPENDIX B

STATE-BY-STATE SUMMARY

OF

BEHAVIOR-RELATED WELFARE PROPOSALS

The New Paternalism Programs and Proposals

BEHAVIOR	STATE	RULE
School Attendance	Wisconsin's Learnfare	AFDC grants to 13-19 year olds or their families are reduced (by the amount allocated for the teenager) if student does not meet attendance requirements
	Ohio's LEAP	teenage parents and pregnant teenagers on AFDC experience a \$62 decrease in welfare grant for each month in which student has >4 absences; they receive \$62 for each month in which they have ≤4 absences (and for initially enrolling in school)
	California governor's proposal "Cal Learn" Initiative as part of the Government Accountability and Taxpayer Protection Act of 1992 (HHS waiver obtained)	teenage parents would have suffered a \$50 reduction in monthly welfare grants if they dropped out of high school and a \$50 increase if they regularly attended school
	Oklahoma law (HHS waiver not yet submitted)	AFDC grants would be reduced if children do not attend school
	Maryland Primary Prevention Initiative Demonstration Project (HHS waiver obtained)	AFDC payments to families decrease by \$25 for each month in which children do not attend school at least 80% of the time
	Michigan's "To Strengthen Michigan Families" demonstration project (HHS waiver obtained)	AFDC payments to families with children in grades K-5 are reduced by \$25 per child if children do not meet school attendance requirements (up to \$98); for families not on AFDC, tax exemptions are reduced for poor school attendance
	Ohio state agency proposal	would offer a financial bonus (\$500 or \$1000) for completion of high school or GED programs
	Missouri's People Attaining Self-Sufficiency (3-year demonstration in 5-7 school districts) (HHS waiver obtained)	AFDC grants are reduced if children do not regularly attend school

BEHAVIOR	STATE	RULE
	Similar, but not identical, proposals are pending in Arizona, Colorado, Connecticut (law - HHS waiver pending), Florida, Indiana, Louisiana, Massachusetts, Mississippi, New York, Ohio, Pennsylvania, and Washington	
	Virginia's Incentives to Advance Learning (2-year, \$100,000 demonstration to be implemented in 3 middle schools) (HHS waiver obtained)	increases payments to AFDC families whose children stay in school (from 90% to 100% of the need standard); provides tickets to movies and rock concerts to students who stay in school
	New Jersey Family Development Program (5-year, statewide program) (HHS waiver obtained)	requires AFDC recipients to obtain a high school diploma or equivalent before assignment to a vocational-related activity
	Georgia state agency proposal	AFDC recipients who complete high school would have received a \$1000 voucher for post-secondary education
	Iowa legislative proposal	would have given \$100 bonus to AFDC recipients for completing high school or getting GED
	Driver's license regulations in AR, FL, KY, LA, MS, TN, TX, VA and WV	students age 16-18 must remain in school to keep their driver's licenses
Mandatory Activities (education, job training, and work programs)	New Jersey Family Development Program (5-year, statewide program) (HHS waiver obtained)	requires AFDC recipients to participate in designated education, training, or employment-focused activities; provides transitional Medicaid benefits for 24 months to AFDC recipients who become employed (increased from 12 months)
	Teenage Parent Demonstration (Illinois and New Jersey)	unemployed teenage women who are pregnant or have one child and are on AFDC must participate in education and employment services to receive full AFDC benefits
	Alabama demonstration program	requires AFDC/JOBS parents with children as young as 6 months to participate in education and job training

BEHAVIOR	STATE	RULE
	Oregon JOBS Waiver Project (HHS waiver obtained)	AFDC/JOBS custodial parents under age 16 can be required to participate in full-time education regardless of the age of their child (requirement already applies to older teen parents); medically-able pregnant recipients under age 20 can be required to participate in full-time education
	Ohio state agency proposal	AFDC recipients ages 16-20 who do not have a high school diploma would have to attend school full time to receive grant
	Arizona law (HHS waiver pending)	would create three paths for JOBS participants: 1) progression through job search, CWEP, education and training; 2) independent education and training; and 3) education for pregnant teens and teen parents ages 16-20
	Florida legislative proposal	10 hours/week of community service would have been required for AFDC recipients under age 30 who were not in other training programs; a second proposal would have required CWEP for JOBS participants who have received AFDC for ≥ 3 months
	Vermont agency proposal	would have required unemployed parents to participate in community service after 1 year on AFDC
	Proposals to require additional activities for JOBS participants or AFDC recipients were made in Connecticut, Mississippi, and Washington	
Work Incentives	Wisconsin Parental and Family Responsibility Initiative (5-year, 6-county demonstration) (HHS waiver obtained)	increases earned income disregard to \$200 per month plus one half of all earnings; suspends 100-hour rule for two-parent families and eliminates AFDC-UP requirement of recent connection to workforce
	New Jersey Family Development Program (5-year, statewide program) (HHS waiver obtained)	increases earned income disregard up to 25% of monthly AFDC grant; suspends 100-hour rule for two-parent families

BEHAVIOR	STATE	RULE
	Minnesota Family Investment Program (7-county demonstration)	raises earned income disregard to 38% of earned income
	Utah Single Parent Employment Demonstration Program (HHS waiver obtained)	increases earned income disregard - from \$90 (no time limit) + \$30 (for first 12 months) + 1/3 additional earnings (for first 4 months) to a disregard of \$100 + 45% of other earned income (no specified time limit);
	California Assistance Payments Demonstration Project (5-year, statewide demonstration) (HHS waiver obtained)	removes time limits on earned income disregard; lowers AFDC grant levels by 5.8%; eliminates 100-hour rule
	California governor's proposal Initiative as part of the Government Accountability and Taxpayer Protection Act of 1992 (HHS waiver obtained)	able-bodied adults who remained on AFDC for 6 months without getting a job would have experienced a 15% reduction in AFDC payments; would have modified earned income disregard to allow recipients to keep the difference between their basic grant (as reduced after 6 months) and the need standard without reduction of benefits; would have eliminated 100-hour rule for two-parent families
	New York's Child Assistance Program (voluntary, 7-county demonstration)	AFDC parents with child support orders in place retain more of their earned income by having their benefits reduced by \$0.10 per \$1.00 of earned income up to the poverty line and \$0.67 per \$1.00 of earned income above the poverty line (allows women to receive up to 150% of poverty, depending on the size of their child support payments)
	Illinois Family Responsibility Project (proposed statewide demonstration)	would eliminate 100-hour rule and AFDC-UP requirement of recent connection to workforce for two-parent families ages 18-24
	Ohio state agency proposal	would eliminate 100-hour rule; would raise earned income disregard
	Mississippi's Avenues to Self-Sufficiency Through Employment and Training Services Demonstration Program Act of 1993 (proposed legislation)	would eliminate 100-hour rule and AFDC-UP work history requirement; would prohibit AFDC-UP recipients from refusing jobs paying less than grants (AFDC payments could be used to supplement earnings)

BEHAVIOR	STATE	RULE
	South Carolina legislative proposal	would have raised earned income disregard
	Higher income disregards were proposed in Georgia, Mississippi, and Washington.	
	Vermont agency proposal	would have time-limited AFDC to 30 months for single-parent families and 15-18 months for two-parent families (and would have provided community service jobs after AFDC); would have increased the earned income disregard; would have suspended the 100-hour rule
	Alabama 3-county demonstration	uses a needs-based test rather than the 100-hour rule to determine eligibility for AFDC-UP
	Connecticut legislative proposal	would have placed a 15-year limit on AFDC, with declining benefits after 4 years
	Colorado law	limits AFDC-UP to 6 months out of any 12 months
	Time-limitation programs were proposed in Arizona and Washington.	
	Washington's Family Independence Program	raises grant levels by various amounts for AFDC recipients who are in approved education or training (5%) or who are working (15% for part-time; 35% for full-time) and disregards earned income up to the standard of need
	Michigan's "To Strengthen Michigan Families" demonstration project (HHS waiver obtained)	eliminates 100-hour rule; eliminates AFDC-UP requirement of recent connection to workforce; increases earned income disregard to \$200 per month plus 20% of all earnings with no time limit; disregards all income of dependent children if they are full-time students
Child Support	Georgia's Child Support Enhancement and Simplification Project (HHS waiver obtained)	gives current child support obligations directly to the mother, rather than funneling support through her AFDC check; child support is treated as income in calculating AFDC eligibility
	Indiana has proposed a similar project	

BEHAVIOR	STATE	RULE
Teenage Living Arrangements	Delaware, Puerto Rico, and the Virgin Islands laws	teen parents must live with a parent or legal guardian to receive AFDC payments
	California governor's proposal Initiative as part of the Government Accountability and Taxpayer Protection Act of 1992 (HHS waiver obtained)	teenage mothers would have been required to live with a parent or legal guardian to receive AFDC payments
	Connecticut law (HHS approval of amendment to state plan pending)	would require teen parents to live under adult supervision to be eligible for a separate AFDC grant
	New York governor's proposal	would have required teen parents to live with parent or legal guardian to receive AFDC payments
	Vermont agency proposal	would have required pregnant teens and teen parents to live in supervised setting to receive AFDC payments
	Wisconsin legislative proposal	would require teens on AFDC to live with an adult
	Michigan's "To Strengthen Michigan Families" demonstration project (HHS waiver obtained)	requires some teen parents on AFDC to live with an adult
Preventive Health Care	Arizona's Health Care Cost Containment System (HHS waiver obtained)	requires families on Medicaid to enroll in an HMO
	Kentucky's Medicaid program (HHS waiver obtained)	requires AFDC families on Medicaid to designate a primary care physician
	Maryland's Medicaid program (HHS waiver obtained)	requires families on Medicaid to designate a primary care physician
	Massachusetts managed health care program (HHS waiver obtained)	requires Medicaid recipients to join an HMO or enter a primary care clinician program
	Colorado Medicaid program (HHS waiver obtained)	requires Medicaid recipients to join an HMO or designate a primary care physician

BEHAVIOR	STATE	RULE
	Similar Medicaid demonstrations are being conducted in areas in Florida, Illinois, Michigan, New Mexico, New York, North Carolina, Oregon, Utah, and Virginia.	
	Washington D.C. legislative proposal	would require all Medicaid recipients to choose an HMO or primary care physician
	Ohio state agency proposal	would require Medicaid recipients to choose an HMO or PPO; would give bonuses to families who keep check-up appointments
	Maryland Primary Prevention Initiative Demonstration Project (5-year, statewide demonstration) (HHS waiver obtained)	families on AFDC are given \$20/year for each family member who has had an annual check-up and grants are reduced by \$25/month for each preschooler who is not vaccinated; women who obtain regular prenatal care receive a bonus of \$14/month; eligible women on AFDC receive a special needs allowance during the last trimester of their first pregnancy; an experimental group of AFDC recipients receives a nutritional allowance of \$14/month throughout pregnancy
	Connecticut law (HHS waiver pending)	would require parents to obtain preventive health care for their children
	Georgia law (HHS waiver pending)	would require parents on AFDC to immunize their preschool children to receive full benefits
	Florida (legislative proposal) proposed similar preventive health care requirements	
	Women, Infants and Children (WIC) food voucher program demonstration (Chicago and New York City)	mothers on WIC who immunize their children receive 3 months worth of vouchers at one time (rather than just 1 month)
Additional Children	New Jersey Family Development Program (5-year, statewide program) (HHS waiver obtained)	eliminates \$64 monthly increase in AFDC payments for the birth of additional children

BEHAVIOR	STATE	RULE
	California governor's proposal Initiative as part of the Government Accountability and Taxpayer Protection Act of 1992 (HHS waiver obtained)	would have eliminated AFDC grant increases for additional children
	Wisconsin's Parental and Family Responsibility Initiative (5-year, 6-county demonstration)	reduces the amount of an AFDC grant for a second child by 1/2 (from \$77 to \$39) and eliminates grants for additional children
	Mississippi legislative proposal	would have reduced grants to mothers age 20 or younger to 1/2 current benefit for a second child and eliminated grants for additional children
	Arizona legislative proposal	would have created a single AFDC grant for families, regardless of size
	Arkansas governor's proposal	would eliminate AFDC grant increases for additional children
	Proposals have been made in Colorado, Connecticut, Florida, Georgia, Iowa, Maine, Pennsylvania, South Carolina, and Virginia to eliminate AFDC benefit increases for the birth of additional children	
	Planned Parenthood "Dollar A Day" Program in Denver, Colorado	teenagers at high risk of becoming pregnant are given \$7 for each week in which they are not pregnant (encourages use of contraception and abstinence)
Marriage	Wisconsin's Parental and Family Responsibility Initiative - "Wedfare"	higher earned income disregard and elimination of 100-hour rule allow young married couples and stepparent families to retain more of their independent income while on welfare (see work incentives)
	New Jersey Family Development Program (5-year, statewide program) (HHS waiver obtained)	eliminates the 100-hour rule; allows the natural child of a female welfare recipient to receive welfare benefits even after the mother remarries, provided the family's income is not > 150% of poverty level (applies only to stepparent families, not marriage to the natural father of the child)

BEHAVIOR	STATE	RULE
	Michigan's "To Strengthen Michigan Families" demonstration project (HHS waiver obtained)	eliminates the 100-hour rule and connection to labor force requirements for AFDC-UP (see work incentives)
	Iowa legislative proposal	would have allowed welfare recipients who marry to avoid grant reductions for 12 months
	Mississippi legislative proposal	would have given AFDC recipients \$1,000 if they got married
	Vermont has a similar proposal to change income disregards and eliminate the 100-hour rule; Mississippi also proposed to change the income disregard (see work incentives)	
	Florida legislative proposal	would have made AFDC-UP full-year and eliminated work history requirements; would have given AFDC benefits to a child in an AFDC stepparent family, provided that the family's total income was not >150% of the poverty level
	Connecticut legislative proposal	would have provided benefits to a child in an AFDC stepparent family, provided that the family's total income is not >150% of the poverty level

Note: Defeated proposals are denoted by strikeouts [...].

Sources: American Public Welfare Association, "W Memo" (April 1992, Vol.4, No.4); Interviews with state officials; various state documents; Mark Greenberg, "Welfare Waivers and the Working Poor" *Labor Notes*, No.76 (Washington D.C.: National Governors' Association, September 30, 1992), pp. 1-9; Mark Greenberg, "1992 Welfare Waivers to Date" (Washington D.C.: Center for Law and Social Policy, October 28, 1992); "Reforming the Welfare System: Bush Administration Accomplishments" (Washington, D.C.: Administration for Children and Families, Office of Public Affairs, January 28, 1992); "Welfare Reform Through State Innovation: A Status Report on Two Cohorts of Welfare Waivers" (Washington, D.C.: U.S. White House, unpublished document, January, 1993).