

DRAFT

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Prevention Options

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"Interventions with pre-adolescents to increase educational and career aspirations and address school failures" DoEd

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Overview

The prevention issue group focussed its attention on childbearing by unmarried teenagers. The number of births to, and the birthrates of, unmarried teenagers have both increased steadily for several decades, accelerating in the mid-1980s. By one estimate, about half of all women who had a first child as an unmarried teenager were AFDC case-heads within the year following the birth.¹ About half the female case-heads currently receiving AFDC had their first child as a teenager.²

Some of the options presented below are mutually compatible and some are mutually exclusive. Although they are presented within a unifying behavioral framework, they represent the range of the members' knowledge and advice, not a group consensus.

Our review found few interventions with at-risk teenagers that had more than very modest impacts on childbearing. Even well-designed programs to correct deficiencies in knowledge of sexuality, academic performance, behavioral problems, and opportunity so far have been unable to demonstrate much impact on teenagers most at-risk. For some innovative programs, this may only mean that rigorous evaluations have not been performed. In some such cases, we recommend further research and testing, or cautious expansion.

From the small effects of interventions aimed at teenagers, and research pointing to the roots of risk-taking behaviors in early family and school experience, the group infers that earlier interventions may be the best hope for more significant impacts. Unfortunately, the prevention potential of early interventions remains largely a matter of faith rather than hard evidence.

Research and common sense agree that disadvantaged teenagers must be convinced that they have something to lose in their futures before they will avoid risky behaviors. When the incomes of men and women who finish high-school and marry before having children are compared to the incomes of drop-outs and single-parent families, the economic consequences of becoming an unmarried teenage parent are strikingly evident. Arguably, finishing high-school and marrying before having children will tend to protect even disadvantaged adolescents from poverty better, and raise their incomes more, than any of the new opportunities the issue group proposes. Even disadvantaged teenagers already have a lot to lose by dropping out and becoming unmarried parents. So the group proposes alternative ways to make this simple truth more apparent to those who need to know it.

¹ 1993 Green Book, Committee on Ways and Means, WMCP 103-18, p.728.

² Facts at a Glance, (Child Trends Inc., Washington), March 1993.

Several initiatives, including school-to-work, One-Stop Career Centers, and implementation of the new youth title II-C in the Job Partnership Training Act, are the core of the Administration's efforts to increase economic opportunities for adolescents from poor families. On this foundation, the prevention issue group builds several options for opportunity interventions targeted directly at the behaviors that lead to welfare and poverty. Post-secondary education guarantees, and priority in a range of education and training programs, could be linked to avoiding unmarried teenage parenthood and crime and, as appropriate, completing high-school. To promote educational interests and aspirations in students with low academic achievement, both demonstration research and wider implementation of the career academies model is proposed. For adolescent female drop-outs with histories of low academic performance who yet have avoided parenthood, the JOBSTART intensive training and services model seems worth developing further. Employment guarantees are discussed, in the forms both of tax credits (for employers who offer trial employment to disadvantaged secondary students who graduate and avoid crime and parenthood) and government-created jobs in the most distressed neighborhoods.

Unfortunately, there is reason to believe that what can be done to increase economic opportunity will not be enough. Early prevention is also needed so that disadvantaged children arrive at adolescence more ready to recognize educational and economic opportunity and able to take advantage of it. The President's health care reform proposal would assure all parents a comprehensive package, including prenatal and preventive health benefits essential for early child development. In the areas of family support, Head Start, and Chapter 1 reauthorization, the Administration is strengthening programs that provide early developmental services that many are convinced hold the key to prevention of later self-destructive behavior.

Some children most at-risk are born into families with multi-dimensional, multi-generational problems aggravated by the neighborhoods in which they live. For such children, the group believes that prevention may require fundamental changes to the economic, social, and educational structure in some inner-city neighborhoods, and comprehensive services approaches to the persistent problems of inner-city families. Two demonstration approaches are proposed. Environmental change also is the basis of the prevention objective in a proposal to increase relocation of inner-city families receiving rental assistance.

In light of the fact that the mid-teens may already be too late to provide prevention interventions for some youths, an option to fund development of model middle-schools is proposed, as are options to develop federal guidelines for comprehensive health education curricula (including sexuality education) beginning with the early grades and continuing through high-school, and school-related health services, including family planning counselling and services.

Ultimately, however, risk-taking behavior, including unprotected sex, is neither pre-determined by childhood experiences nor compelled by hormones and peers. Accordingly, many of the prevention issue group's options deal with ways of promoting more responsible behavior. The President has made it clear that the responsibility of parents to support their children will be a central message of welfare and child support reform. Recognizing that low-income programs are intended to provide a second chance both to those who are victims of circumstances and to those who have made mistakes, the prevention issue group presents a number of options intended to send a more consistent message in public programs that actions have consequences and people are responsible for their actions.

To underline the prevention potential in welfare reform's message of responsibility, the group stresses the importance of early mandatory participation in education and training for teenage case-heads during time-limited eligibility for cash aid, and simple, uniform time-limits with few exemptions for very young mothers. Because responsibility attaches to both parents, several options are proposed to increase the likelihood that fathers of children born to teenage mothers will be targeted for child support enforcement.

Options are presented to encourage the strengthening of a number of voluntary social institutions that promote development of character and responsibility in adolescents. White House support for volunteer programs that deal with disadvantaged children one-on-one is also proposed under the theme of Reach One Child.

The pervasive influence of television is the subject of two options, one for the Surgeon General to enter a dialog with the television industry about responsible presentation of public service messages about sexuality and teenage risk-behaviors and advertising of contraceptives. A broader option proposes a Presidential commission to extend our state of knowledge about the effects of television on character development and sexuality and to explore the positive potential of the medium in these areas.

Research gives little basis for hope that individual programs and policies to encourage responsibility or increase opportunity will have a large effect on the risk-taking behavior of adolescents. However, prevention is not the only, not even the major, justification for policies of responsibility and opportunity. More equality of opportunity is an end in itself, and expanding education and other human capital development programs for those with little opportunity serves that end. Similarly, the legitimacy of the public's desire that government programs should expect responsible behavior from citizens does not depend on whether that expectation is fulfilled.

Nonetheless, what we know about human behavior gives us reason to hope that the small behavioral effects of individual programs in isolation may understate the

prevention effects of a message of responsibility and opportunity communicated more consistently in public policy. To the extent that prevention of behaviors leading to welfare dependency and poverty is an objective, the goals of opportunity and responsibility should be pursued in a way that consistently reinforces their message to youth.

A. Prevention through a clear message of responsibility

Options to send clear messages about the responsibility of parents to support their children might include the following:

- A1. Minor mothers, who are by definition not adults, should live under adult supervision and should not be able to use welfare benefits to establish independent households. Options for consideration include: a) mandate states to require minor mothers to live with their parents or in other supervised settings; b) eliminate AFDC eligibility for minor mothers, and require them to rely on their parents for support.
- A2. During eligibility for cash assistance, participation by young mothers in education, training, and employment activities should be mandatory soon after eligibility is determined.
- A3. Time limits for assistance should be easy to understand and not avoidable by deliberate action, except by leaving the rolls.
- A4. Special efforts should be undertaken to establish paternity and child support orders for the children of teenage mothers. Options for consideration include: a) lower federal AFDC match rates for cases without established paternity; b) lower benefit levels for children without established paternity; c) incentives to states to establish paternity and child support orders for the fathers of the children born to teenagers; d) incentives for teenaged mothers to cooperate in paternity and child support efforts.

A message of parental responsibility is at the center of the Administration's welfare and child support reform initiative. This message will reach at-risk youth as changes to options they face. A life on welfare will not be among their possible futures, and males will have no futures as deadbeat dads. A welfare prevention effect may result if this change in options deters³ some sexual risk-taking.

Welfare changes may seem too abstract and remote to influence behavior as unplanned and unreflective as teenage sexuality. However, it is widely held that some kinds of remote future consequences do have such an influence. One of the most

³ When present behavior is influenced by a wish to avoid a future consequence, the process can be termed 'deterrence.' Ordinarily, the term is used in the context of discussions of rewards and punishments. Here, the term is intended to mean only what it means if we say that a sign warning of the danger of falling deters someone from walking too near the edge of a precipice. Falling is not a punishment for ignoring the sign and walking too near the edge, it is a consequence.

frequently expressed views about teenaged childbearing is that lack of economic opportunity is a major contributing factor.⁴ Adolescents are more likely to undertake risky behavior when they perceive that they have little to lose.⁵

We have little proof that risk-taking can be deterred among at-risk youth either by a message of opportunity or by a message of responsibility. Discussion of the effect of increasing opportunity will be left to another section of this options paper. Research on the effects of welfare policy on childbearing has generally declared them to be small, at most. Attention has been mainly limited to the question of whether variation in AFDC benefits, either among states or over time, is correlated with birth-rates or family structure. Only a weak link has ever been measured.⁶

However, the effect of variations in AFDC benefits among states or over time probably is not a very good guide to what would happen if we end "welfare as we know it." Time-limits and community service work requirements would constitute a radical change in the daily life of welfare recipients. Would these and other welfare policy options actually deter teenage sexual risk-taking? What we know about how consequences influence behavior suggests that the probability of a consequence is at

⁴ Several examples are cited in Cheryl D. Hayes, Risking the Future, Adolescent Sexuality, Pregnancy, and Childbearing, (National Research Council, Washington) 1987, Vol I, pp.118-9. Other examples may be found in, Kenneth B. Clark, Dark Ghetto, Dilemmas of Social Power, Wesleyan University Press, (Middletown, CT, 1989), p.72; Irwin Garfinkel and Sara McLanahan, Single Mothers and Their Children, (Urban Institute, Washington), 1986, p.85; Elijah Anderson, "Neighborhood Effects on Teenage Pregnancy," in Christopher Jencks and Paul E. Peterson (eds), The Urban Underclass, (Brookings Institution, Washington) 1991, p.397; Greg J. Duncan and Saul D. Hoffman, "Teenage Behavior and Subsequent Poverty," in The Urban Underclass, p.172; Chong-Bum An, Robert Haveman, and Barbara Wolfe, "Teen Out-of-wedlock Births and Welfare Receipt: The Role of Childhood Events and Economic Circumstances," unpublished paper.

⁵ The exact mental and emotional processes by which expected consequences (especially remote consequences like lost economic opportunity) may influence the sexual behavior of teenagers are far from clear. A conventional view would be that a person takes an action if he or she prefers the consequences expected from taking it to the consequences expected from not taking it. With at-risk teenagers, a number of intervening factors may cloud and confuse this kind of rational process. The remote consequences may not be well-understood, or the likelihood of them resulting from the action may be assessed poorly. Some analysts point to immaturity, impulsiveness, or a high discount of any long-term future consequences, among youth in general and especially at-risk youth. The behavioral model informing the following discussion is drawn from the Appendix to Crime and Human Nature, James Q. Wilson and Richard J. Herrnstein, (Simon and Schuster, New York) 1985.

⁶ Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," Journal of Economic Literature, March 1992, pp.27-31. Gregory Acs, "The Impact of AFDC on Young Women's Childbearing Decisions," (Urban Institute, Washington) 1993. Duncan and Hoffman, 1991. Charles Murray, "Welfare and the Family: the U.S. Experience," Journal of Labor Economics, 1993, Vol.11, No.1, pp.s224-s262.

least as important as its magnitude. In other words, the frequency of exemptions from community service requirements may have more to do with deterrent impact than the kinds of behavior required.

Option A1 - Minor-mother policies

While it has been estimated that half the mothers receiving AFDC at a point in time had their first child as a teenager, in an average month in fiscal year 1992, only around 8 percent (or 305,000) female "adult" recipients were 19 years of age or younger. (Less than 5 percent were 18 or younger. Less than 2 percent were under 18.) Analysis of longitudinal data sets has shown that considerable time may elapse between birth of a child to a teenager and the mother's application for AFDC.⁷ Consequently, it is easy to conclude that policies aimed at minor-mothers on AFDC are not likely to have much welfare prevention impact.

However, two factors of welfare dynamics suggest that minor-mother policies may have a larger impact than the share of teenage case-heads in a current cross-section of the AFDC caseload suggests. First, the share of the female adult recipients of AFDC represented by teenaged mothers increased by nearly half from 1987 through 1992. The entire AFDC caseload increased rapidly during the recent economic downturn. However, teenaged mothers increased faster. The share of the AFDC caseload they represented increased by about one-fourth during this period, an annual average rate of increase of 4 percent.

Second, unmarried teenaged mothers who do not finish high-school and who have little work experience are likely to become long-term dependents. Many teenagers on the rolls now will still be on the rolls, or will have returned, when they reach their mid- and late-20s. If 8 percent of the current caseload has a case-head less than 20, and that group averages ten years on the rolls, between one-fifth and one-fourth of current AFDC cases may be headed by mothers who came onto the rolls as teenagers.

Since the Family Support Act of 1988, states have the option of requiring many never-married minor-mothers to live with their parents or in some other supervised setting, rather than establishing their own households. In such cases, protective AFDC payments are made to the supervising parent or adult, rather than to the minor-mother. Exceptions are made if the mother had already moved out a year prior to giving birth or applying for AFDC, or if the safety of mother or child might be endangered.

⁷ 1993 Green Book, p.728.

The rationale for the Family Support Act policy was concern that at-risk females could view early motherhood and AFDC as a way to escape often difficult home environments.⁸ However, currently, only six states have taken this option, two as part of demonstrations. To the extent that the original concern was well based, it does not appear that the current State-option policy will address it very widely.

Option A1(a) - The current policy could be converted to a mandate. Obviously this would increase the likelihood that minor-mothers would be required to live with their parents as a condition of AFDC eligibility. On the other hand, the fact that so few states have adopted this option suggests that a mandate would not be received enthusiastically. Current law permits states to exempt minor-mothers for a variety of reasons, including some that would be easy for states to apply very liberally. It appears that states could, to some extent, undermine the effects of a mandate with which they disagreed. The simplified behavioral model sketched above tells us that uneven and uncertain application of the requirement would tend to reduce its deterrent effect.

At some administrative cost, documentation of exceptions could be required as part of the case record. However, it is not clear what effective sanctions for failure to comply could be applied to states. On the other hand, too vigorous a pursuit of states for allowing too many exceptions could result in minor-mothers being required to live in family situations that are unsafe for them or their children.

It seems unlikely that significant savings would result from this option. It probably is too soon to see impacts on caseloads in states adopting the current option. However, the proportion of the caseload headed by minor mothers, the fact that they retain eligibility in their parents' homes, and the possibility that states could avoid the mandate through frequent exemptions all work against significant impacts.

Option A1(b) - Recently, Robert J. Samuelson became one of the more well-known advocates of eliminating welfare eligibility for minor-mothers altogether. Such a policy would make larger changes to the consequences of teenage childbearing than Option A1(a), and these changes would be certain to apply to all individuals. On both dimensions, the deterrent effect of Option A1(b) is likely to be greater.

On the other hand, the policy would have other consequences that weigh against it. Some teenagers would not be deterred. Without any AFDC eligibility as caretakers, they might remain eligible for noncash aid, and for cash aid in some states, much like

⁸ In "The Impact of AFDC on Family Structure and Living Arrangements," Bane and Ellwood had found that single mothers were more likely to establish their own households in states with higher AFDC benefits.

General Assistance currently. Some would also be forced back upon their parents for support, or might choose to marry or work, all responses that arguably are usually better than welfare dependency. However, some unpredictable number of teenage mothers would not respond by increasing income from other sources, and the effect of Option A1(b) would be to reduce the already modest income available to the dependent children in the family.

Option A1(b) is a special case of a broader deterrent approach. Perhaps the easiest, and probably the most effective, way to highlight the consequences of bearing children without the means to support them is simply to reduce welfare eligibility and benefits. (For example, the behavioral effect of time-limits with no subsequent work guarantee probably would be greater than the effect of time-limits followed by community service.) However, a deterrent objective needs to be balanced against the welfare of dependent children whose parents are not deterred.

In addition, if minor-mothers are not eligible for AFDC, they cannot be required to participate in programs for AFDC caretakers designed to make them more self-supporting. The Teenage Parent Demonstration showed the practicality of increasing the education, employment and earnings, and reducing welfare dependency, among teenage mothers on AFDC.

The current ASPE estimate of eliminating eligibility for minor mothers shows \$270 million per year in federal savings, AFDC net of food stamp offsets. No behavioral effects are modeled. In addition, if some of the children of disqualified minor-mothers were placed in foster care, the great differential between foster care benefits and AFDC benefits would further reduce federal savings. Making minors ineligible to be AFDC case-heads a state option would reduce the impact as well.

Options A2 and A3 - Simplicity and certainty of participation requirements, time-limits, and work requirements

Major features of the President's welfare reform - time limits followed by community service - send the message of responsibility. Basic behavioral theory tells us that the message will be diluted for at-risk teenagers if many AFDC parents are to be exempt (particularly very young mothers), if activities during the time-limit look like welfare as we know it, or if the length of the time-limits may vary very much from individual to individual. It is not just the nature of possible consequences, but also the perceived likelihood of their occurrence that influences behavior. Consequences that are more remote, or are otherwise perceived as less probable, will have less effect on choices - such as the choice to take fewer risks with sexual behavior.

If at-risk youth in neighborhoods with concentrations of AFDC families see that many of their neighbors' lives are unaffected by requirements to participate in training activities, or by time limits on cash assistance, they are likely to discount the probability that they themselves might be subject to mandatory participation and time-limits. So broad and imprecise exemption categories would tend to dilute the message of responsibility.

On the other hand, if mandatory participation is not required during the period of eligibility for cash assistance, or if time-limits varied considerably from case to case, the message of responsibility would tend to become more remote. Responsibility for supporting children through work would move further out into the future.

With young teenagers in general, and with at-risk teenagers especially, research shows a sharp discount of remote consequences.⁹ The connection between actions and consequences is often limited to a short time horizon. While the actual deterrent impact of mandatory participation and time-limits remains to be seen, if a deterrent effect on at-risk teenagers is an objective, the remoteness of the consequences should be a key consideration.

Requiring mandatory participation by a larger proportion of AFDC recipients and limiting exemptions to the participation and post-transitional work program may increase the deterrent impact of welfare reform but it may also increase costs overall. Of those on the rolls, a greater proportion would be in activities (education and training or community service) that involved costs beyond benefits and normal administration. Whether overall costs would be higher or lower would depend on whether these added activity levels had deterrent and exit effects large enough to offset the higher average case costs. That can be determined only by experimentation.

Currently, all non-exempt teenage caretakers who have not finished high-school are supposed to be engaged in educational activities. If AFDC were limited to two years and followed by community service with no behavioral effects, the cost of 100 percent participation in education and training during the transition period, and in community service after two years, for teenage parents while they were teenagers might amount to around \$1 billion in education, training, child care, and community service costs.¹⁰

⁹ Wilson and Herrnstein, 1985, pp.146-7, 174, 205. For a more skeptical view, Cheryl D. Hayes and Sandra Hoffreth, Risking the Future. Adolescent Sexuality, Pregnancy, and Childbearing, (National Research Council, Washington), Vol II, pp.33.

¹⁰ The estimate is drawn from a cohort-based model using exit and return rates from "The Dynamics of Welfare Use: Implications for Implementing a Time-Limited Welfare System," circulated to reviewers by Wendell Primus on September 29, and unit cost estimates from "Costs of Employment-Support Services Under Welfare Reform," circulated by Wendell Primus on October 5.

The incremental cost of requiring immediate participation and imposing simple time limits on teenage parents would be the difference between this \$1 billion maximum cost and the participation and time-limits otherwise planned for teenage care-takers.

Option A4 - Child support enforcement for the fathers of children born to teenagers

The President's welfare reform proposal will stress the responsibility of both parents to support their children. For noncustodial fathers, the message of responsibility will be delivered through the child support enforcement system.

Currently, the threat of being forced to live up to his responsibility to provide regular financial support for any children he may father is not a very real to at-risk teenage males. It is estimated that paternity is established in about one-third of all cases where children are born to unmarried mothers.¹¹ Only about 24 percent of unmarried mothers have court orders for child support, and only about 73 percent of these receive any of the support they are due.¹² If the partners of at-risk teenaged women were more certain that they would be required to support any children they fathered, they might modify their risk-taking behavior to avoid that possibility.

To improve state performance with paternity establishment, the U.S. Commission on Interstate Child Support recommended, and the child support issue group appears prepared to support, a model of voluntary and decriminalized paternity establishment, with the State of Washington as the example. The voluntary acknowledgement model builds on the fact that most unwed parents maintain contact prior to the birth of the child, but that contact falls off rapidly thereafter. Many, maybe a majority, of unmarried fathers visit the hospital after delivery. The voluntary recognition model provides education about the importance of paternity and an opportunity for the father to acknowledge his newborn largely independent from the question of child support.

It seems evident that emphasis on voluntary acknowledgement, maybe coupled with efforts to transfer paternity practices from more effective to less effective states, could improve the rate of paternity establishment. If paternity establishment became really universal, there would be no need for policies reflecting a particular prevention perspective. However, a number of factors suggest that voluntary acknowledgement, decriminalization, and interstate technical assistance by themselves will not achieve universal paternity establishment.

¹¹ Testimony of David Ellwood before the Human Resources Subcommittee, June 10, 1993, Table VI.

¹² Gordon H. Lester, Child Support and Alimony:1989, Bureau of the Census, 1991, P-60, No.173, Table C.

First, while many unmarried fathers visit their partners and children in the hospital after delivery, many do not. In a recent study of several hundred births to unmarried parents in Minnesota, Esther Wattenberg estimated that about two-thirds of the fathers visited the hospital.¹³ At this point, we have to speculate whether the same high percentage are present in the most disadvantaged large urban neighborhood. In any case, it looks like at least one-third of unmarried fathers currently would not be reached by a voluntary acknowledgement campaign aimed at birthing hospitals.

Additionally, as voluntary acknowledgement programs become more common, two kinds of responses that would tend to limit their effectiveness may be expected. First, as it becomes known that efforts to identify fathers for child support enforcement take place in hospitals, fewer fathers will visit their partners, and those who do will be less recognizable to staff. While some unmarried fathers are quite willing to acknowledge paternity and accept responsibility for support, others are not. The link between voluntary acknowledgement and support orders, which may not be evident to unmarried fathers when voluntary acknowledgement programs are new, will become well known to the extent that they are effective in increasing orders and support collections. An avoidance behavioral response on the part of unmarried fathers must be expected.

Second, it appears that the effectiveness of voluntary acknowledgement programs is partially a function of separating paternity establishment from child support enforcement. Staff can stress the aspects of paternity establishment that unmarried fathers find appealing and costless. But it seems likely that legal representatives of unmarried fathers eventually will seek to have the link with child support enforcement made more evident in voluntary acknowledgement processes, so that unmarried fathers will become increasingly aware that it may not be in their interest to acknowledge paternity.

So it appears that voluntary acknowledgement strategies will not reach a large share of unmarried fathers, and that the effectiveness of the strategy may tend to diminish over time. Accordingly, any voluntary acknowledgement strategy should be supplemented with policies that will be effective when unmarried fathers do not have a volition to acknowledge paternity.

Options A4(a) and (b) - If federal reimbursement for state AFDC benefits were lower in cases where paternity was not established, the consequences to states of an ineffective IV-D program would be more immediate than under current law. If states were permitted to lower benefits in cases without paternity establishment, some or all of the incentive to establish paternity would pass through to the AFDC mother.

¹³ Cited in, David Ellwood and Paul Legler, "Getting Serious About Paternity," January 1993 draft.

Lower federal reimbursement for cases without paternity could be implemented in a number of ways. First, the rate of federal reimbursement could be lowered in such cases, assuming the benefit remained the same. All the pressure would be on the state. Second, the state could be permitted to provide lower benefits in such cases. If the benefit were lowered but the rate of federal reimbursement remained as it is, all the pressure would be on the mother to establish paternity. In fact, because states would have lower outlays in cases where paternity was not established, there would be a financial incentive for states not to pursue paternity.

The right balance would seem to involve pressure on both the state and the family, meaning benefits set lower, but state outlays not reduced in such cases. For example, in a state with a 50 percent federal match, the matching rate for cases without paternity might be reduced 20 percent to 40 percent. Similarly, if a state's matching rate were 80 percent, a federal withdrawal of 20 percent in matching would leave 64 percent. At the same time, the benefit might be reduced 10 percent. Both the family and the state would have an incentive to establish paternity. The 20 percent level is chosen only for illustration. The optimal level of reduction in federal reimbursement and benefits to families remains to be determined.

Immediate full-scale implementation of a variable reimbursement policy could overwhelm the IV-D capabilities of states. In addition, paternity establishment appears to get increasingly difficult the older a child is. Families already on the AFDC rolls for several years would have a harder time avoiding lower benefits than families with newborn children. For both reasons, a policy of lower federal reimbursement and lower benefits in cases without paternity establishment might be implemented for children conceived and born after passage of the necessary legislation.

If a 20 percent reduction in federal reimbursement rate made no difference to state paternity establishment performance, and the policy were implemented for the entire caseload at once, annual federal savings would amount to more than \$1 billion. Applying the new policy only to applicants (whether first-time or returners) might save between one-third and one-half of that amount. Covering only first-time applicants would reduce savings by more than half again. If states were permitted to reduce benefits by 10 percent in such cases and states with one-half the caseload did, around one-sixth of the AFDC savings to the federal government would be offset by food stamp increases.

Option A4(c) - Incentives for states to focus on cases with teenage mothers

Instead of being threatened with a stick of lower IV-A matching rates for cases without paternity established, states could be enticed with carrots of federal incentives to devote resources to establishing paternity in every case where a mother was a minor

at the conception or birth of her first child. At present, these cases frequently lead to relatively low collection levels, and correspondingly low rewards for states.

By design, an incentive approach could be implemented at the rate states found optimal. The principal consideration would be funding for the incentives. However, as with the option of changing federal IV-A reimbursement rates, the policy could be combined with other adjustments in current federal matching and incentive rates to provide more federal funds, save federal funds, or be roughly cost-neutral.

Option A4(d) - Incentives for teenage mothers to cooperate with paternity and child support efforts

Currently, as a condition of AFDC eligibility, mothers are required to cooperate with efforts to establish paternity and obtain child support. However, there is some evidence that unmarried teenage mothers often regard paternity and child support enforcement as "capricious, arbitrary, and punitive," "shrouded in uncertainty and complexities," that might "hamper future or current relationships with other partners." Accordingly, they follow a "strategy of avoidance," whereby they are not sanctioned for failure to cooperate, but frustrate child support efforts.¹⁴

Paternity testing methods can now give positive results with a very high degree of certainty. Adjudication of the fact of paternity in a trial setting is becoming increasingly uncommon. However, in order for the improved testing to be used to prove that an individual is the father, usually the mother must name him as such, and often she must play a central role in locating him.

To improve the cooperation of teenage or minor-mothers in establishing paternity and obtaining a child support order, the minor-mother options discussed above could be made conditional on paternity establishment. In other words, minor-mothers might be required to live in supervised settings, or their eligibility might be restricted, unless paternity for their children had been established.

An alternative incentive scheme might supplement voluntary in-hospital paternity programs by offering a gift in some way earmarked for the newborn. Such a policy might promote the willingness of both unmarried teenaged parents to cooperate, especially if the bonus were offered soon after delivery, when the identity and location of the father were easiest to determine. However, even if the father did not cooperate voluntarily, the program could be effective if the mother identified him and provided information necessary to locate him.

¹⁴ Robert I. Lerman and Theodora Ooms (eds). Young Unwed Fathers, (Temple University Press, Philadelphia) 1993, pp.220-1.

Such incentives might gain public support if they were effectively earmarked for the infant. In light of the low rate of paternity establishment overall, and the high rate at which unmarried teenage mothers end up on the AFDC rolls, this incentive program has some potential to generate offsetting savings. Assuming around 400,000 births to unmarried teenagers in a year, a \$200 gift earmarked for every newborn could run \$80 million. Assuming three-fourths of the mothers have a spell on welfare, and that an increase in \$800 in child support enforcement collections were received from one-third of those fathers (net of the \$50 pass-through to custodial families), the taxpayers would break even (though the states would come out a little ahead and the federal government a little in the hole under current rules for distribution of child support collected from fathers of AFDC children).¹⁵

¹⁵ In 1989, the mean amount of child support received by never-married mothers was \$1,888. (Lester, 1991, Table 1) Probably the average incomes of the fathers of AFDC children born to teenage mothers would have lower incomes than the average for the child-support-paying fathers of all children born to unmarried mothers. A net increase in collections of \$800 from one-third of such fathers seems realistic.

B. Prevention through increased opportunity

The link between teenage risk-taking and lack of economic opportunity is well established. If such behavior follows from a belief that there is little to lose, then it should be possible to modify the behavior by improving the educational and economic opportunities that the behavior puts at-risk. Modifications could take the form of changes to the prevalence of opportunity, or changes to the ability of at-risk youth to take advantage of the opportunities that are available.

Many Administration initiatives are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation legislation, and a major overhaul of Chapter 1 that aim at early prevention by giving disadvantaged children a better developmental and educational start. Once they have reached adolescence and young adulthood, the Administration's school-to-work and One-Stop Career Centers initiatives are designed to enhance their educational and employment opportunities.

Other options could be tailored for prevention among the populations most at-risk :

- B1. The JOBSTART intensive training and services model, could be refined with an eye to increasing its demonstrated preventive impact on 17-24 year-old childless female drop-outs.
- B2. The message that responsible sexuality pays-off could be strengthened by: a) guarantees of post-secondary education opportunities for at-risk youth who graduate, do not commit crimes, and do not become unmarried teenage parents; b) priority for placement in education and training programs for youth conditioned on the same kinds of good behavior.
- B3. To increase the educational aspirations of young at-risk teenagers, both demonstration research and wider implementation of career academies for low-achieving youth could be supported.
- B4. To both address the problems large urban employers have in finding entry-level employees with adequate basic skills and work habits, and to increase the certainty with which at-risk youth can view the benefits of responsible behavior, tax credits could be tested for firms that will make hiring guarantees to inner-city junior-high and senior-high students who finish school, don't commit crimes, and don't become unmarried teenage parents before they graduate.
- B5. A government jobs program targeted at 18-25 year-olds in urban underclass neighborhoods, and conditioned on avoiding parenthood and crime, and

maintaining acceptable school performance, could replicate the strong effects that the Youth Entitlement Demonstration had on employment and improve on that demonstration's lack of apparent effect on childbearing.

- B6. A public information campaign and school curriculum development initiative could increase awareness of parents and adolescents of the economic consequences of finishing school and living in a two-worker family.
- B7. Housing vouchers could be used to relocate housing assistance recipients to neighborhoods where educational and economic opportunity is greater.
- B8. Any positive impacts found by the rigorous evaluation of the School Dropout Demonstration Assistance Program could be the basis for promoting a reorganization of middle-schools serving large numbers of at-risk students and a restructuring of the educational program they provide. Both technical assistance and incentive funding could be employed.

The association of teenage childbearing with low economic opportunity is clear. A principal intervening variable is education. While education levels and achievement are associated with higher levels of employment and earnings, teenage childbearing and its antecedents are associated with academic and behavioral problems in school, probably both as cause and effect. Low scores on intelligence tests and low valuation of education are associated with early initiation of sex among both males and females.¹⁶ Similarly, low levels of educational aspiration, poor school performance, and low parental education are all associated with poor contraceptive practices.¹⁷ Early initiation of sex and poor contraceptive practices are two of the chief determinants of pregnancy risk. Subsequently, teenage mothers are likely to drop out of school.¹⁸ Among a cohort recently followed from eighth grade through twelfth, between one-quarter and one-half of female drop-outs, gave pregnancy or becoming a parent as the reason.¹⁹ Although some researchers have found significant numbers of teenage mothers later completing high-school or GED programs, even the most encouraging

¹⁶ Hayes, 1987, p.100.

¹⁷ Hayes, 1987, p.107.

¹⁸ Hayes, 1987, p.126.

¹⁹ Marilyn M. McMillen, et al., Dropout Rates in the United States: 1992, National Center for Education Statistics, NCES 93-464, Table 20. The table describes the reasons given by those that dropped out between the 10th and 12th grades. A parallel table in the 1991 report showed similar proportions of those dropping out between the 8th and 10th grades giving these responses.

data only show the education gap between former teenage mothers and others diminishing, not disappearing.²⁰

Low educational achievement makes it more difficult for former teenage mothers to support their families through their earnings, and more likely that they will become dependent upon welfare for long periods. In one study using longitudinal data, 43 percent of long-term welfare recipients had become mothers before they were 18.²¹

Although influencing the sexual behavior of at-risk teenagers is a primary focus of prevention strategy, earlier interventions to prevent the academic and behavioral problems associated with early initiation of sex are also indicated. Research suggests that the roots of some behaviors associated with later school failures and behavioral problems are very deep, stretching back into the first years of life, and the earliest interactions between parent and child. To be effective, some interventions may have to occur at that stage as well.

A number of current Administration initiatives are intended to alter the circumstances facing disadvantaged children and thereby improve their educational and economic opportunities. The President's health care reform proposal would assure all parents a comprehensive package, including prenatal and preventive health benefits essential to early child development. Recent data from the Bureau of the Census show that, in 1992, nearly eight million related children in families were not covered by any health insurance at any time during the year, 2.4 million under six years of age.

In the coming year, HHS will implement a new subpart of title IV-B of the Social Security Act that provides grants to states for family preservation and family support services. By 1998, these grants will grow to \$255 million, and are intended to strengthen families and improve parenting skills that research has shown are critical to the development in children of trust and character.²²

Evaluation of the Perry Preschool Program demonstrated that even very early interventions can have measurable welfare prevention effects, as well as a range of other positive outcomes.²³ The doubling of Head Start spending since 1989, reaching

²⁰ Hayes, 1987, p.127.

²¹ Nicholas Zill, et.al., "Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data," (Child Trends, Inc., Washington) 1991, p.32.

²² Wilson and Herrnstein, 1985, pp.226-240.

²³ John R. Berrueta-Clement, et.al., "Changed Lives, The Effects of the Perry Preschool Program on Youths Through Age 19," (High/Scope Press, Ypsilanti MI) 1984, Table 13.

\$2.8 billion and about .7 million children in 1993, demonstrates a strong commitment by Congress to early intervention and prevention. For 1995, Secretary Shalala has proposed to increase Head Start funding to \$4.3 billion, and plans to reduce the gap between the promise of the Perry Preschool results and the reality of Head Start operations by implementing recommendations of her Head Start Advisory Committee, whose report is due soon.

The Administration's "Improving America's Schools Act of 1993" (IASA) would increase the educational opportunity of disadvantaged children by sending more of the available funds to the schools that need it most. Schools with the highest poverty levels among their students would see a 15 percent increase in Chapter 1 funding. But, as evaluations have consistently shown, to improve educational outcomes, all students must be subject to higher expectations, and parents must become more involved in the educational progress of their sons and daughters. IASA promotes both these objectives by requiring states to develop content and performance standards and measure schools and local education agencies against them, and by encouraging parental involvement in school policy development and school-parent compacts setting out the responsibilities of parents in reaching performance standards.

Several other Administration efforts will contribute to greater educational and economic opportunity for older children and youth. To prevent under-funding of middle- and high-schools, IASA would require Chapter 1 funding be available to all schools with student poverty rates of at least 75 percent before funding other schools.

The Administration's "School-to-Work Opportunities Act of 1993" will provide "venture capital" to states to develop school-to-work systems built around school-based learning, work-based learning, and connecting activities. The transition from school-to-work is critical for all youth, not just at-risk youth. However, special grants will be available for urban and rural areas characterized by high unemployment and poverty.

Year-round training and employment services will be available both to disadvantaged youth under the newly recast title II-C of the Job Training Partnership Act. Amendments in 1992 set aside half the funds for drop-outs, who have been found to be hard to serve effectively. The Administration's proposal for One-Stop Career Centers would make it much more likely that at-risk youth, and others, would successfully negotiate the tangle of government program rules to identify and obtain the education and training opportunities most appropriate for them.

These Administration initiatives seek to reduce the number of teenagers who are at-risk of bearing or fathering a child, and to influence the choices of those who are at-risk by offering a chance at a better future. In addition, experience with past efforts to achieve these goals suggests several other options.

Option B1 - Further development the JOBSTART model for childless teenage female drop-outs

JOBSTART was a demonstration of a package of intensive education and training services and job placement assistance conceived as a non-residential Job Corps.²⁴ One group that appeared to benefit from JOBSTART was made up mostly of very disadvantaged childless adolescent females.²⁵ Despite foregoing some earnings and employment experience by participating in the demonstration, by the second year, annual earnings of that subgroup of JOBSTART participants apparently passed the earnings of the comparable controls and the gap continued to widen in years three and four. However, although the pattern of improved employment was clear, the difference did not reach the level of statistical significance.²⁶

Importantly, while about half of this subgroup had given birth by the end of the four-year follow up, this appeared to be a lower rate than among the controls (although the apparent difference was not statistically significant).²⁷ Moreover, in each of the last three years of follow-up, AFDC reciprocity was significantly lower among participants than among controls.²⁸

²⁴ Participants were low-income 17-21 year-old drop-outs reading below an eighth-grade level. The median length of JOBSTART participation was six months. The 13 JOBSTART sites varied in the implementation of the model along several dimensions. However, all sites were to implement four central components: 1) instruction in basic academic skills, with considerably individualized curricula; 2) classroom and hands-on occupational skills training for high-demand occupations; 3) support services, including transportation, child care, life skills training, and needs-based incentive payments tied to program performance; 4) job placement assistance. George Cave and Fred Doolittle, "Assessing JOBSTART, Interim Impacts of a Program for School Dropouts," (Manpower Demonstration Research Corporation, New York) 1991, p.xii.

²⁵ More precisely, subgroup members were not living with any children of their own on enrollment into JOBSTART. Evaluators are not sure how many might have been mothers living apart from their children. For convenience, this group will be called childless.

²⁶ George Cave, et.al., "JOBSTART: Final Report on a Program for School Dropouts," (Manpower Demonstration Research Corporation, New York) 1993, Table 5.6.

²⁷ Cave, 1993, Table 6.6.

²⁸ Cave, 1993, Table 6.2. It appears that at least two factors contributed to these lower levels of welfare receipt among participants. First, a smaller percentage of experimentals became mothers. Second, a smaller percentage of those experimentals who became mothers received AFDC. Higher earnings among recipients appears to account for the difference. It appears that JOBSTART may have prevented some welfare entries not just by reducing childbearing but also by increasing the earnings of some women who did bear children.

While not a silver prevention bullet, JOBSTART is one of a very few opportunity-enhancement models with demonstrated welfare prevention impacts. The apparent JOBSTART fertility impacts lend at least weak support, and the significant welfare impacts lend stronger support, to earlier similar findings of a less-rigorous evaluation of Job Corps, on which JOBSTART is modelled. Despite the uncertain employment and earnings impacts and unfavorable short-term cost/benefit ratio,²⁹ some further refinement of the model should be considered.

A JOBSTART variation targeted on childless female drop-outs could be tested. Reanalysis of the JOBSTART data would look for administrative or program design features that appear to be associated with impacts on the subgroup. Those features would be combined in a multi-site demonstration. A well-designed family planning services component would be considered as an enhancement to the model.

A demonstration strategy, rather than broader implementation, is warranted by the modest size of the prevention impacts and unanswered questions about the exact mechanism of the impacts and how they might be enhanced. At present, the JOBSTART model for childless female drop-outs does not promise a large prevention effect, but it does represent one of the only opportunity enhancement interventions with a demonstrated prevention effect.

Option B2 - Condition some education and training funds on avoiding unmarried teenage parenthood

One recurrent theme in the remarks of a group of experts invited by the issue group to discuss prevention strategies was that current government programs are perceived by youth as favoring those who get into trouble. For the unmarried 16 year-old girl who has a child, the government has AFDC, food stamps, medicaid, and perhaps housing assistance. She may have enough income from government aid to escape a difficult

²⁹ JOBSTART was an intensive intervention, with costs that were high in comparison to other non-residential JTPA programs. Average costs for the core components per JOBSTART participant varied widely among sites (\$2,200 to \$9,900), in part due to the length of the program in the sites. Impacts on earnings and welfare receipt did not appear to be diminishing in later quarters, and so probably would continue to accrue beyond the accounting period employed by the evaluator. In addition, non-monetary benefits of the program, such as some benefits of additional education, could not be included. With those qualifications, the evaluators acknowledge, "... the program's bottom line after four years of follow-up from both the taxpayer and societal perspectives appears to be largely negative." (Cave, 1993, p.228) In effect, taxpayers' investment of around \$4,500 per JOBSTART participant was not offset after four years by about \$1,100 in welfare savings from women without children (Cave, 1993, Table 7.8). For those women, increases in earnings were more than offset by lower transfers.

home situation and set up her own household. In very disadvantaged neighborhoods, her income may make her more popular.³⁰

Moreover, in some localities, teenage mothers may attend special secondary school programs. Through the JOBS program, they may have individualized plans developed that include secondary and post-secondary education and training opportunities.

Whether or not beliefs about preferential treatment for teenagers who do not defer childbearing are well-founded, it would not be unreasonable for an at-risk teenager to conclude that avoiding teenage parenthood made little difference to his or her educational and training opportunities. In fact, if a teenager had a history of frustration and failure in her conventional schooling, a hiatus to have a child followed by a much briefer GED preparation course and community college could look appealing.

If the message society wants to send is that minors should not become parents, the availability of federally-funded education and training opportunities does not support it. In behaviorist language, human capital rewards are not contingent upon the desired behavior. To strengthen the message that society values responsible sexuality and that it rewards individuals who avoid becoming teenage parents, eligibility for some federal education and training programs could be conditioned on good behavior. While there is no evidence that the availability of post-secondary education aid is a factor in adolescents' decisions about childbearing or crime, the broader link between opportunity and these behaviors is well established.

However, behavior-conditioning options discussed here and below have potential for two kinds of unwanted consequences that must be kept in mind. First, while rewards for avoiding unmarried teenage childbearing would be intended to reduce the frequency of unprotected sex, it could also increase the frequency of abortion. Second, depending on how the reward for good behavior were designed, the policy might result in less help available for teenage mothers and delinquents.

Two strategic policies in targeting education and training are inherently in competition. On the one hand, good behavior should be encouraged. On the other hand, a second chance should be available. Conditioning eligibility for Job Corps, for instance, on avoiding a criminal record might encourage teenage males to avoid crime, but, depending on demand for the available slots, it could also exclude some delinquents from a program that might put them back on the right path.

To balance the two strategic objectives, superior opportunities might be available based on good behavior, without excluding others entirely. For example, those

³⁰ Anderson, 1991, p.398.

meeting behavioral criteria might be eligible for special programs or greater benefits not available to others. Option B2(a) is such an option. Alternatively, behavior might be a criterion of priority where the number of opportunities is limited. For example, Job Corps slots might be filled first with those who both meet the current eligibility criteria and also have not become teenage parents or acquired criminal records prior to acceptance into the program. Option B2(b) is such an option.

Option B2(a) - Teenagers from poor families who graduate from high-school without committing crimes or becoming unmarried teenage parents could be guaranteed Pell grants for up to four years at qualified institutions. In a sense, Pells are guaranteed to eligible students now. Major design features of this proposal could include: i) public information campaigns in schools with concentrations of students from poor families; ii) variation in the Pell maximum for this segment of the program; iii) behavioral conditions for eligibility.

i) Although Pells are virtual entitlements to students identified as eligible by qualified institutions, they (and other federal post-secondary aid) are largely invisible to needy secondary students and their families. Typically, higher education aid is administered and awarded by post-secondary institutions. A secondary student will not know what aid he will receive until he is accepted by an institution. The message that the government will help pay for college for any qualified student does not get through. A public information campaign could carry this message to students and their families, to some extent increasing the perceived value of avoiding trouble and pursuing education.

ii) Teenage parents and youth with criminal records may qualify for Pells, and for other forms of federal post-secondary aid. Publicizing the availability of educational assistance could, itself, brighten the future at-risk youth associate with good behavior. However, it would not reward good behavior. If changing the reward structure is the goal, it would be necessary either to reduce aid available to those who exhibit behavior to be discouraged, or increase aid to those who exhibit the behavior to be rewarded.

In light of the fact that maximum Pell amounts are well below the costs of full-time attendance at most two-year or four-year colleges, a higher maximum could be allowed for especially needy students. These good-behavior-Pells would attach to individual secondary students, rather than being administered and awarded by post-secondary institutions like other Pells.

iii) Conditioning educational opportunity rewards on avoiding teenage parenthood inherently exerts an unfairly differential impact on females, in that it is much easier for males to avoid detection. To deflect criticism of the policy on that grounds, the higher

assistance could also be conditioned on avoiding conviction of a crime. That condition would impact males more than females, although mostly because males are more likely to commit a crime, rather than because females are better at avoiding detection.

Critics would note that needy students are being singled-out for behavioral conditioning. In the last analysis, the proposal would have to be defended for what it was, an effort to reward the good behavior of a subgroup of teenagers for whom misbehavior tends to be more common and more costly to society.

Because Pell maximums currently are determined essentially by dividing appropriated funds by the number of eligible students, a higher maximum to reward good behavior by needy students could, in theory, be cost-neutral, if amounts to other Pell recipients were reduced. Alternatively, reward funds might be added to Pell appropriations. In either case, the amount of reward funds required would depend upon the good behavior conditions, the means-test, and uptake rates. For example, in academic-year 1989-90, about 10 percent of dependent students came from families with incomes below \$10,000.³¹ A doubling of the \$2,300 maximum Pell grant amount for 10 percent of the 4.4 million current recipients would amount to about \$100 million. It would be very difficult to have confidence in any estimate of the number of current recipients who might qualify for the higher amounts on behavioral grounds, let alone any behavioral effects the guarantee might have.

Option B2(b) - Reasons similar to those advanced for B2(a) could also argue for giving priority in a range of education and training programs to otherwise-eligibles who also met good behavior standards.

With some programs and in some localities, good behavior priority might not have much practical impact. If applicants are not being turned down for program slots, prioritizing will not have much effect on who participates. Nevertheless, priority for good behavior is a policy theme that could be expressed simply and applied broadly, qualities that would tend to enhance public awareness and prevention effects. And, since neither eligibility nor assistance levels are changed, spending should not be affected.

On the other hand, this policy might lead to fewer, or at least less desirable, second chances in programs, such as some Job Corps centers, where there are more applicants than slots. To adopt this option, the importance of modest changes in the reward structure implicit in government education and training programs would have to

³¹ Chuck Bryce and Carl Schmitt, Financing Undergraduate Education, (National Center for Education Statistics, Washington) NCES 93-201, Table 2.4.

be judged to outweigh similarly modest reductions in the second chance opportunities for teenage parents and delinquents.

Option.B3 - Career academies for low-achieving students

Options discussed so far are aimed either at those who drop out of school or those who can succeed in high-school and benefit from post-secondary education.

However, we know that characteristics associated with risk of fathering or bearing a child may make it difficult for at-risk teenagers to graduate from regular high-school programs. What can be done for teenagers with low educational achievement before they become drop-outs?

The Administration's School-to-Work Opportunities Act includes career academies among its school-to-work models. The career academies model is nearly a quarter century old, starting in Philadelphia in 1969 and spreading throughout the city, to Pittsburgh, Portland, California, and, recently, to Florida. The three core elements are: a) a small learning community, or school-within-a-school organization, that seeks a long-term relation between students and teachers and a supportive peer culture; b) a specific occupational or industrial theme, such as health or electronics; c) involvement by local employers as advisers, mentors, and suppliers of equipment.³² In comparison to actual apprenticeship programs, career academies offer programs to large numbers of disadvantaged students at modest incremental costs (MDRC reports that the California career academies are among the more expensive, at around \$1,000 per student per year, in large part because career academies in California maintain lower teacher/student ratios than regular high-school programs). The original Philadelphia career academies were designed for students who would not qualify for the usual vocational programs because of low academic skills (but reading at least at a 5th grade level), low motivation, or lack of particular career interests.³³ However, gradually the share of less disadvantaged students in career academies has increased.

Impact analysis of the California career academies based on matched comparison groups suggests that they achieve the objective of reducing drop-out rates. However, evaluation based on a more rigorous design is needed before the direction and magnitude of education and employment impacts can be known. And the childbearing and welfare prevention of career academies remain open questions.

³² Thomas Bailey and Donna Merritt, "The School-to-Work Transition and Youth Apprenticeship: Lessons from the U.S. Experience," (Manpower Demonstration Research Corporation, New York), 1993, p.20.

³³ Bailey and Merritt, 1993, p.29.

The Manpower Demonstration Research Corporation has begun a rigorous evaluation of 10-12 career academies with substantial numbers of at-risk students. One option would be to support and perhaps expand this demonstration research effort. The objectives could be: to achieve more focus on students with the greatest academic and behavioral problems; to test models with shortened initial in-school curriculum followed by employment and supplementary part-time academics; to build up the uneven health education and family planning supports in the career academy model; to make childbearing and welfare prevention an impact variable in the current research. Such support and expansion might involve several million dollars over the stage that runs the next several years.

As an alternate or complement, a concerted effort to disseminate the model could be made in implementation of the school-to-work program. Research to this point may be supportive enough to encourage wider implementation of the model, recognizing that program modifications might be justified when results of MDRC's evaluation program are available. The career academy model could be promoted through technical assistance and advice from the federal level, and with federal planning and implementation incentive funds for schools that adopt the model.

Options B4 and B5 - Tax credits for employers who promise jobs to at-risk students and a targeted public jobs program for at-risk youth

The impact of future consequences upon present behavior depends upon the nature of the consequences and how far into the future they would occur, but also upon the subject's assessment of the probability that they will occur at all.³⁴ Arguably, the certainty attached to welfare is one its most powerful behavior-influencing features.

In neighborhoods where employment rates are very low, teenagers are more likely to rate their own future employment prospects as low. Alternative approaches for guaranteeing employment would aim to increase the probability at-risk youth assign to the likelihood of future employment. Both might affect risk-taking in two ways. First, if they increased employment among older youth, such programs would probably increase an expectation of employment in younger youth just based on the experience of others. Second, the stated guaranteed nature of the employment (in one variety, guaranteed to the individual) would tend to further increase the subject's confidence that he or she would be employed eventually.

In addition to affecting risk-taking behavior by increasing hope, guaranteed employment approaches could shed new light on whether low employment among

³⁴ The simple behavioral model implicit in this section is drawn from the Appendix to Wilson and Herrnstein, 1985.

some subgroups is driven more by supply or demand factors. The Youth Entitlement Program of a decade ago provided strong evidence in support of demand theories. However, supply theories persist and the possibility cannot be dismissed that employment characteristics of at-risk youth and availability of alternate income sources has changed since the early 1980s.

Option B4 - This option borrows features from Eugene Lang's promise of college educations to a class of disadvantaged junior high-school students, but promises employment rather than college. Junior-high or high-school students would be promised a period of trial employment with a future if they complete high-school, do not acquire a criminal record, and do not bear or father a child before graduating.

Experience with Eugene Lang's original cohort showed that many students did not keep up despite the promise of college. It appears that supplemental in-school services, including mentoring, might be necessary for the program to have its largest impact. Similarly, the disappointing early years of the Boston Compact show that employer support will depend upon the ability of problem schools to make improvements in the way they fulfil their primary educational mission.

Potential employers would be sought among large public and private employers in the locality. However, smaller employers could be recruited as well, as long as the promise was made to individuals rather than, for example, a whole class or school.

Local employers, such as the phone company and other service sector businesses, who hire large numbers of skilled and unskilled employees for work in or close to the disadvantaged neighborhood would have an incentive to participate. Such employers probably would benefit from the good behavior screener, if, as appears to be the case, good behavior in school tends to correlate with better educational outcomes. Employers also would have reasonably good advance knowledge of the levels of qualified candidates they could expect to hire. As an elaboration of the model, employers might help develop and deliver workplace expectations training for those to whom the promise was made. However, to reach large numbers of students, the program would not require the kind of specialized skill training and work experience elements characteristic of apprenticeship models.

Aside from training and hiring assistance, employers would receive tax credits for some portion of wages paid to participants retained for some specified period. Experience with the Targeted Jobs Tax Credit and other job subsidies aimed at structural unemployment has not been very encouraging. Uptake among employers has been disappointingly low, apparently due to high administrative burden and stigma attaching to the subsidized applicants. However, somewhat larger credits in a

program that screened youth for good behavior may be perceived as worthwhile by employers who must hire large numbers from the local labor market in any case.

The cost of a credit program would depend upon how broadly the model was implemented, the size of the employer credit, and the level of supplemental services employed. Probably, a development and demonstration phase ought to be tried first to test designs to maximize employer response and to find out whether the theoretical prevention effect would materialize.

Option B5 - A targeted government job creation program probably would raise employment more effectively than a tax-credit-subsidized job-promise program like Option B4. While tax-credits would depend upon private sector uptake, which historically has been low in such programs, job creation programs have greater control over the level of employment generated.

The large-scale 1978-1980 Youth Entitlement Program had an average of 20,000 to 25,000 disadvantaged 16-19 year-olds employed in full-time summer jobs and part-time jobs during the school year in 17 demonstration sites. What we know about the impacts of YEP is based on a quasi-experimental evaluation that affords less confidence than experimental designs that are more common now. With that caution, it appears that YEP raised youth employment rates in program sites 68 percent higher than in matched comparison sites.³⁵ Participation was especially high among black youth, 73 percent of those eligible took minimum wage jobs and held them for over one year.³⁶ Employment rate differentials between black and white male youth disappeared during the program.

It should be noted that, although the Youth Entitlement Program succeeded in raising youth employment dramatically during the program period, and smaller impacts persisted more than one year after the program ended, YEP apparently did not have a prevention effect. School drop-out and childbearing rates were about the same in program and comparison sites.³⁷ On the other hand, YEP was not conditioned directly on avoiding teenage parenthood, and the level of family planning counselling and services that were available to participants is unclear.

³⁵ Judith M. Gueron, "Lessons From a Job Guarantee, The Youth Incentive Entitlement Pilot Projects," (Manpower Demonstration Research Corporation, New York) 1984, p.33.

³⁶ Gueron, 1984, p.45.

³⁷ George Farkas, et.al., "Post-program Impacts of the Youth Incentive Entitlement Pilot Projects," (Manpower Demonstration Research Corporation, New York) 1984, pp.52-3, 148.

Both tax credits and public jobs would be expensive interventions, and would have to be limited to the most disadvantaged neighborhoods. Insofar as tax credits would offset only part of the wages paid by private employers to students hired through Option B4, the YEP model's full government subsidy would tend to cost more per job.

Option B6 - Making the case that "following the rules" pays

Many members of the welfare reform working group were surprised by charts showing the gaps in income between single parent families and married couples. If a group of well-informed social program experts was not fully aware of the economic consequences of risk-taking behavior, it seems likely that the general public, including at-risk teenagers, is not aware either. Yet the general strategy of increasing opportunity to reduce risk-taking among adolescents assumes they can make realistic assessments of the possible futures open to them.

In 1992, the poverty rate for married couples was 6.2 percent, 8.4 percent if they had children.³⁸ But if both a husband and wife with children worked, their poverty rate was only 3.6 percent. By comparison, female householders with children had a poverty rate of 45.7 percent, still 29.6 percent if the householder worked, and 10.6 percent even if she worked full-time, year-round.

For black families, the rates generally were higher, but in about the same relationships. Only 6.9 percent of two-earner black couples with children were poor in 1992, not much higher than the 3.9 percent of two-earner white couples who were poor. By comparison, 57.2 percent of black female householders with children, and even 38.8 percent who were working were poor. In 1992, black female householders with children were about four times as likely to be poor as black couples with children.

A similarly dramatic picture appears out of comparisons of poverty by education level. Among whites with no high-school diploma, 22.0 percent were poor in 1992, but only 8.5 percent of those who had a high-school diploma (but no college). Among blacks, 42.7 percent of those without, and 24.6 percent of those with a high-school diploma were poor.

Income statistics tell the same story. Median income among white married couples aged 25 to 34 years was \$40,271, while for white female householders it was

³⁸ These and other poverty and income statistics in this section are taken from, Poverty in the United States: 1992, Bureau of the Census, P-60, No.185 and Money Income of Households, Families, and Persons in the United States: 1992, Bureau of the Census, P-60, No. 184.

\$12,590.³⁹ For black couples aged 25 to 34 years, median income was \$32,196. For black female householders it was \$8,476. A large part of the difference in income by marital status was due to the number of earners in the family. Median income among one-earner white families in 1992 was \$28,666; for two-earner white families it was \$46,895. The median black one-earner family had \$16,131, while the median two-earner family had more than twice as much income, \$34,950.

On closer look, the message turns out to be more complicated. Poverty seems to vary more by race than education. And it is likely that the education and family structure groups differ in many other ways relevant to income and poverty. Because white male high-school graduates aged 25 to 34 years had median earnings about twice as high as young white males who never completed 9th grade, it does not follow that these drop-outs would double their earnings by completing high-school. Nonetheless, these numbers carry a strong message that completion of high-school and marriage before having children effectively prevents poverty.⁴⁰

To make such facts known to the at-risk adolescents who might make better decisions if they knew them, a bully-pulpit or school curriculum approach might be developed. An ongoing public information campaign, using high federal officials or celebrities as spokespersons, might be appropriate, in that it could reach a wide audience with a simple and brief, but repetitive, message.

Alternatively, a better understanding of choices and opportunities might be fostered by development of model life-course economics curricula for middle-school students. A review of available life-options education materials would be a good first step in assessing the extent to which the economic consequences of risk-taking behaviors are adequately covered. If these subjects are not being treated adequately in available materials, development of new materials and a dissemination plan would be the next step.

Option B7 - Moving to opportunity

Beginning with a 1976 settlement of a housing discrimination suit, residents of the Gautreaux housing project in Chicago had the opportunity to relocate. Some moved within the city, and some to suburbs. Evaluators who compared the experiences of the two groups of voluntary movers found that the suburban movers were 14 percent more likely to be employed. Educational and employment outcomes for their children

³⁹ More precisely, the age of the householder was 25 to 34 years.

⁴⁰ See also, Charles Murray and Deborah Laren, "According to Age," prepared for the Working Seminar on the Family and American Welfare Policy," 1986.

were even more positive. The evaluators find support for a demand-side explanation of low employment in inner-cities.⁴¹

It is expected that HUD's 1995 Budget submission will propose to devote around 50,000 housing vouchers to support a moving-to-opportunity program along the lines of the Gautreaux experience. A voucher represents a 30-year commitment, at about \$5,000 - \$6,000 per year. HUD is expected to seek additional moving-to-opportunity vouchers for the out-years. In addition to the vouchers, for which budget authority already exists, HUD probably will seek about \$150 million for counselling participants.

The 50,000 vouchers do not represent all the new vouchers budgeted for 1995, so the number devoted to moving-to-opportunity could be expanded without additional discretionary outlays. However, dedication of very large numbers of vouchers to families with children who will relocate outside inner-cities may increase the length of time that other eligibles, such as the disabled and elderly and families not residing in inner-cities, must wait for housing aid.

Based on evaluation of Gautreaux, moving-to-opportunity promises a significant prevention impact. In addition, relocation programs present an important opportunity to advance the goal of integration of residential neighborhoods. However, a number of questions about the design of the evaluation should make us cautious about expecting that a wide replication of the model will result in impacts of the size found with Gautreaux.⁴²

⁴¹ James E Rosenbaum, "Black Pioneers - Do Their Moves to the Suburbs Increase Economic Opportunity for Mothers and Children?" in Housing Policy Debate, Vol 2, Issue 4, pp.1170-1213.

⁴² The Gautreaux movers (both intra-city and suburban) had relatively high education and employment levels. Only about 20 percent were drop-outs, and about 35 percent had some college education. About 60 percent of the intra-city movers and about 64 percent of the suburban movers were employed before their moves. It is not clear that the positive impacts apparent in the Gautreaux data would be duplicated with a more disadvantaged population.

The possibility that those moving out of the city to the suburbs may have been a more motivated group cannot be ruled out. The evaluators compare observable characteristics of the intra-city and suburban movers and conclude that they are not different in relevant ways. However, motivation is hard to infer from observable characteristics. To make sure that the only difference between the two groups is their destination, random assignment of families to city or suburban apartments would have been desirable. The evaluators point to the fact, "Although participants are allowed to refuse two housing offers, most accepted the first offer they receive ... fewer than half moved to their preferred location." (James E. Rosenbaum and Susan J. Popkin, "Employment and Earnings of Blacks Who Move to Middle-Class Suburbs," in Jencks and Peterson, 1991, p. 346.) This is not a very precise statement of the potential for self-selection and its relation to the magnitude of the impacts claimed. If only 1 percent turned down the first apartment offered, we could be confident that self-selection into suburbia was not

Option B8 - Middle-school intervention

In the 1988 Survey of Family Growth, about one-in-four unmarried 15 year-olds reported that they were sexually active.⁴³ The 1990 Youth Risk Survey found that 40 percent of 9th graders reported having had sexual intercourse.⁴⁴ By the 10th grade, 7 percent of all students who were 8th graders in 1988 had already dropped out of school, 10 percent of black students.⁴⁵ Truly preventive interventions will have to come earlier than the 9th or 10th grade for many at-risk children.

In a 1990 report, "Turning Points," the Carnegie Council on Adolescent Development formulated a series of recommendations to change the way our middle-schools (grades 7-9) are organized and the ways they try to meet the educational and other needs of pre-adolescents. Themes of the recommendations included smaller learning "houses" within large middle schools, team teaching, adult advisors for each student, development of capacities for critical thinking, life sciences, citizenship education and community service, mixing students of different abilities, empowerment of teachers, specific training for teaching in middle-schools, comprehensive health services, involvement of parents, and support by the business community.⁴⁶ While some of the recommendations address problems of risk-taking behavior directly, others seek changes to the educational experience of middle-schools that will bring children to adolescence better able to recognize opportunities and to take advantage of them.

Beginning in 1991, a total of 85 projects were funded by the School Dropout Demonstration Assistance Program to test many of the elements of the Carnegie Council model. Five school restructuring programs and 18 projects targeted to at-risk middle- and high-school youth will be subject to impact evaluations, with the targeted

responsible for a 14 percent employment increase. However, if one-third turned down an offer in order to get their preferred destination, that could easily account for the observed impact.

Finally, analysis was based on a survey to movers with a response rate of 67 percent. Response rates for the study of children were even lower. The evaluators took steps to check for bias introduced by these low rates, and concluded that none was likely.

⁴³ "Premarital Sexual Experience Among Adolescent Women - United States, 1970-1988." Morbidity and Mortality Weekly Report, Centers for Disease Control, Jan 4, 1991, Table 1.

⁴⁴ 1992 Green Book, p.1092.

⁴⁵ McMillen, 1993, Table 19. By the end of 12th grade, 11.6 percent of the original 8th grade cohort were no longer attending. Some of those dropping out by the 10th grade had returned.

⁴⁶ "Turning Points, Preparing American Youth for the 21st Century," abridged version, (Carnegie Council On Adolescent Development, New York) 1990, pp.10-26.

programs evaluated based upon random assignment of at-risk youth to the model program or to control groups. For the four-year life of the demonstrations, federal funding will reach about \$150 million. Required grantee matching funds will amount to about another \$50 million.

The targeted projects may be organized as special programs for at-risk youth, schools-within-schools, alternative schools, or other arrangements. Projects must include accelerated learning, attendance monitoring and follow-up, family outreach, counseling, career awareness and vocational training, social services, and links to feeder schools and the business community.

In light of the substantial demonstration research resources invested in this drop-out prevention effort, it would be premature to promote wider implementation of model middle-school elements before the results of the demonstration are available in 1995 and 1996. At that time, assuming positive results, the Administration might strengthen the requirement (currently in IASA) that Chapter 1 funds reach the poorer middle-schools, and consider technical assistance and incentive funding to adopt model elements with demonstrated impacts.

C. Family planning

By one estimate, about one-half of all initial premarital pregnancies occur within the first six months of sexual activity. About one-in-five occurs in the first month.⁴⁷

Clearly, if teenagers were better contraceptors when they first became sexually active, significant reductions in unintended pregnancies would be possible.

Options to improve contraception knowledge and practice among teenagers when they first become sexually active:

- C1. Develop guidelines for a sexuality education curricula as part of a comprehensive health education program, beginning in the early grades.
- C2. Increase the outreach efforts of family planning services agencies, enhance counseling services provided by those agencies, and increase the accessibility, both in location and hours of operation, of those agencies to teenagers through school-based and school-linked services.
- C3. Through title X, make a special outreach to AFDC mothers with daughters in their early teens.
- C4. Through the Office of the Surgeon General, invite television network and local station executives and family planning experts to: a) develop acceptable public service messages and programming promoting: i) delaying initiation of sex; ii) the moral and prudential importance of contraception at the first (and every) sexual experience; iii) the safety and effectiveness of available methods to prevent pregnancy and the transmission of sexually transmitted diseases; b) undertake an industry review of the presentation of extramarital sex, responsible contraception, and the consequences of teenaged childbearing in entertainment programming.

Option C1 - School health education and school-related health services

Teenagers often evince mistaken views about reproductive processes and contraception. Although about three-fourths of adolescents report having received some sexuality education before leaving school,⁴⁸ the extent and timing of the education is uneven. Only about 10 percent receive a comprehensive program; most

⁴⁷ Cheryl Hayes and Sandra Hoffreth (eds) Risking the Future, Adolescent Sexuality, Pregnancy, and Childbearing, Vol II, (National Research Council, Washington), 1987, p.64.

⁴⁸ Hayes and Hoffreth, 1987, p.211

receive sex education as a subsection of a health or physical education curriculum, devoting ten hours of less to the subject.⁴⁹

Sex education has been shown to be successful at increasing knowledge of the subject. Some studies have found indications that contraceptive practice also increases as a result of sex education. However, impacts on pregnancies or childbearing have not been shown.⁵⁰

When sex education is pigeonholed into 10 hours of instruction, it may not be surprising that its impact on behavior is minimal. By presenting sexuality education in the context of a comprehensive health education program, it would be possible to explore the connections between basic reproductive processes and other aspects of the students' lives and relationships to others.

The President's health care reform proposal includes support for comprehensive school health education (including sexuality education) focussed on reducing behaviors associated with preventable morbidity and mortality. Communities would develop a variety of comprehensive health education curricula following broad state and federal guidelines.

The level and timing of federal support for these efforts remains to be specified. This option proposes that the school health education and school-based health services elements within health care reform receive priority attention and funding, in light of their potential for the prevention of poverty and welfare.

Option C2 - Access to services

Although it does not appear that sex education itself increases initiation of sexual activity,⁵¹ it also should not, by itself, be expected to prevent early initiation and the one-half of pregnancies that occur within the first six months. Clearly other factors besides lack of knowledge are at work. The message from the best research is that education about sexuality and counselling on decision making, the advantages of delaying initiation, and life options combined with access to contraceptive information and services, constitute an effective combination.

⁴⁹ "Preventing Teenage Pregnancy," CQ Researcher, Congressional Quarterly, Inc., May 14, 1993, p.423, Hayes and Hoffreth, 1987, p.144.

⁵⁰ Hayes and Hoffreth, 1987, pp.215-6.

⁵¹ Hayes and Hoffreth, 1987, pp. 215-6.

About two-thirds of females who first had intercourse when they were under age 15, and about one-half from 15 to 17, and about two-fifths of those aged 18 or older report not using any contraceptive method. Among the great majority who indicate that intercourse was unplanned, only 12 percent reported in a survey that they did not know about contraception.⁵² About the same proportion said they did not want to use contraceptives, or did not care whether they got pregnant. About the same percentage said contraceptives were not available. Well over half said they did not use contraceptives because intercourse was not planned (34 percent) or because they "didn't think about using contraceptives" (24 percent). Males were somewhat more likely to report not knowing about contraceptives, and much more likely to report that they did not want to use contraceptives.

Review of focus group discussions with teenage females find that a reluctance to acknowledge (to parents or self) being sexually active is a prime reason for not using contraceptives, along with the unplanned nature of sexual activity, a desire by one partner or the other that the experience should be "natural," and embarrassment in purchasing contraceptives.⁵³

Although more effective sexuality education clearly can address lack of knowledge about contraceptives, policies are needed to improve availability and to provide effective contraception even when, as is especially the case among very young teenagers, intercourse is unplanned and the parties do not "think of" protecting themselves. Less than half of teens receiving family planning services receive them from a private physician.⁵⁴ Although outreach by family physicians might be encouraged, teenagers' reluctance to acknowledge being sexually active may constitute more of a barrier to family physicians than to family planning clinic staff.⁵⁵

Outreach and enhanced counseling services by family planning clinic staff may be able to reduce the delay between initiation of sexual activity and request for family planning services. The Self Center, a three-year demonstration project for inner-city minority junior and senior high-school students in Baltimore, apparently made impressive impacts on postponement of first intercourse among females, clinic

⁵² Hayes and Hoffreth, 1987, p.398.

⁵³ Lulu Mae Nix, et.al., "A Focus Group Study of Sexually Active Black Male Teenagers," Adolescence, Vol XXIII, No 91, Fall 1988, pp.748-9. Freya L. Sonenstein, "Risking Paternity: Sex and Contraception among Adolescent Males," in Adolescent Fatherhood, Arthur Elseter and Michael Lamb (eds), (Lawrence Erlbaum Assoc., Inc., Hillsdale, NJ) 1986, pp.44-47.

⁵⁴ Hayes, 1987, p.154.

⁵⁵ Hayes, 1987, p.159.

attendance by females prior to first intercourse, and reductions in conceptions while a comparison group of schools saw sharp increases.⁵⁶ It should be noted that impacts on teenage childbearing were also driven by increased abortions.

The very encouraging results of the Self Center, and a school-based clinic in Minneapolis/St.Paul, have not been confirmed by a recent evaluation of six school-based clinic sites. Those sites, which appeared to deliver a broad range of health services to underserved students successfully, had only minor positive impacts on pregnancies.⁵⁷ The level of support for family planning education and services in these school-based sites appears to have been lower than in the more successful Self Center model. In addition, the school-linked arrangement of the Self Center, which allowed it a measure of privacy, and also allowed access by teenagers not attending school and during hours and days when school was not in session, has also been cited as a design feature responsible for its larger prevention impacts.

As noted above, the President's health care reform package includes school-related health services (including family planning services) as an important element in its prevention orientation. This option proposes that family planning services for at-risk teenagers receive priority in implementation of health care reform, and also that implementation of the school-based health services strategy not be delayed until implementation of health care reform. Title X family planning obligations for 1992 were \$150 million, or about 60 percent of the 1981 level, in constant dollars. Neglect of family planning during the previous two Administrations should not continue during debate over the shape of health care reform and planning for its implementation.

Option C3 - Outreach to an especially vulnerable population

Research points to one especially vulnerable population that justifies a special outreach effort. Receipt of welfare as a dependent child by itself appears to increase the likelihood that teenagers will bear or father children.⁵⁸ But whether or not receipt of welfare itself independently increases the likelihood of teenaged parenthood, children in welfare families are likely to possess other characteristics associated with teenage childbearing. Daughters in mother-headed families initiate sexual activity

⁵⁶ Hayes, 1987, p.172-3.

⁵⁷ Theodora Ooms and Lisa Herendeen, "Teenage Pregnancy Prevention Programs: What Have We Learned?" Family Impact Seminar, May 1989, p.11.

⁵⁸ Duncan and Hoffman, R. Lerman, "Who are the Absent Fathers?," Youth & Society, 18:3-27, 1986.

earlier than daughters from intact families.⁵⁹ About half the single mothers on welfare at any point had their first children as teenagers, and a correlation has been found between a mother's age at first birth and her daughter's.⁶⁰ Low levels of parents' education is associated with a lower probability of contracepting at first intercourse and greater likelihood of bearing a child outside marriage.⁶¹

In short, the daughters of mothers receiving welfare are unusually at risk of becoming teenage mothers and welfare case-heads themselves. This danger clearly is a great concern to their mothers. In survey data, 76 percent of mothers in welfare families agreed with the statement that having a child as an unmarried 16 year old was one of the worst things their teenage daughters could do.⁶²

Based on their risk levels, the prevention potential from reaching out to these mothers and helping them to protect their daughters from repeating their mistakes is great. In light of concern in the African-American community about contraception requirements for welfare mothers proposed by governors and state legislatures in the last few years, the outreach initiative should be purely voluntary, appealing solely to the mother's concern for her daughter's future. The objective would be to support the prevention methods chosen by the mother as most suitable, including efforts to delay onset of sexual activity. However, the same immaturity in young teenagers that makes it appropriate to enlist their parents in prevention interventions in the first place has been shown to undermine effective compliance with contraceptive regimens. Accordingly, we would expect that parents would often choose a method that, like an immunization, does not depend for its effectiveness on any conscientious behavior by the teenager.

While welfare agencies would be needed to make the referrals, family planning clinics should do the outreach, in order to minimize any apprehension about coercion. The outreach effort might be staffed sympathetically by other welfare mothers in transitional and post-transitional community service assignments.

Option C4 - Television's role

The family planning options discussed so far would operate largely through some of the social institutions that usually transmit norms of sexual and parental responsibility

⁵⁹ Hayes and Hoffreth, 1987, p.25.

⁶⁰ Hayes and Hoffreth, 1987, p.24.

⁶¹ Hayes and Hoffreth, 1987, pp.63, 87.

⁶² Special tabulations by Child Trends, Inc. of data from the 1987 National Survey of Children.

from one generation to the next - families, schools, and religious institutions. Unfortunately, teenagers most at-risk often have weak ties, if any, to those institutions.

It is widely believed that the value-transmitting function of those pillar-institutions has been replaced in the lives of many youth by peer groups and the mass media, particularly television.⁶³ Another section of this paper will discuss options for influencing broad messages about family and responsibility transmitted through peer groups and television. Here we note possible connections between television and responsible contraceptive practices.

A number of other industrialized nations have been found to have levels of teenage sexual activity similar to ours, but levels of both abortion and teenaged childbearing that are well below the United States.⁶⁴ One of the reasons cited for the difference, is the different level of public acceptance of contraception, evidenced in public information and media advertising.⁶⁴

In the United States, the broadcast media have rejected contraceptive advertising because a significant segment of the audience they hope to attract would find it objectionable. Reluctance to air certain kinds of contraceptive-related public service messages has also been found.⁶⁵ However, substantial majorities of the public would not find such advertising objectionable, and the majority grows to about three-fourths when the question mentions the role of condoms in fighting sexually transmitted diseases.⁶⁶ The logic behind avoidance of contraceptive advertising is further strained by survey data showing that the television industry does accept advertising for other products which larger minorities of the public find objectionable.

It is time for a national discussion of the low level of contraceptive information and messages about responsible use in the media. This initiative would involve a research element, to review and develop evidence about the role of contraception advertising and public information on the lower pregnancy rates in Western Europe. It would also include discussions between the Surgeon General, prevention experts, and television executives (including both network executives and representatives of the much more segmented cable programming), about how to make sure that teenagers most at-risk

⁶³ Hayes and Hoffreth, 1987, p.27. "Attitudes About Television, Sex, and Contraceptive Advertising," Planned Parenthood Federation of America, 1987, p.3.

⁶⁴ Draft Office of Population Affairs paper, "Adolescent Pregnancy and Childbearing: International Comparisons"

⁶⁵ Hayes, 1987, p.151.

⁶⁶ Planned Parenthood Federation, 1987, p.6.

in the viewing audience are not receiving the wrong messages, and are receiving the right messages and information, about responsible sexuality.

D. Prevention and social institutions

The discouraging trends in childbearing by unmarried teenagers are largely driven by initiation of sexual activity at younger ages. In 1970, one in twenty unmarried 15 year-olds reported being sexually experienced; in 1988, it was one in four.⁶⁷ Longer exposure to the risk of pregnancy and less maturity and competence in contraception among young teenagers are the major contributors.⁶⁸ Plausible economic explanations for this trend have not been advanced. And, while age of menarche has declined significantly over the long-term,⁶⁹ it will not account sufficiently for shorter-term trends or differences among population subgroups.

We are left with looking for the roots of this trend toward earlier and earlier onset of sexuality in changes in social institutions whose function has been to govern and delay sexual behavior among adolescents, particularly institutions that develop powers of self-restraint and delayed gratification in individuals. Such institutions change over time, and it appears that their power may have diminished significantly over the past two decades, particularly for at-risk youth.

Research has associated early onset of sexual activity with being raised in a single-parent family, academic and behavioral problems in school and low educational aspirations, and low levels of religious association.⁷⁰ If recent trends in unmarried teenage childbearing result, in part, from a weakening of the effectiveness of family, schools, and churches in controlling natural impulsiveness and risk-taking in adolescents and developing self-control, can government action strengthen the institutions and improve their effectiveness? We have few working models of such interventions. However, the following options propose to explore this possibility.

- D1. The possible effects of television on impulsive behavior and children's views of sexuality and the family, and the medium's potential for supporting the family's function of developing character in children and youth could be the subject of a Presidential commission.
- D2. To address the comprehensive and multi-generational nature of economic, educational and social deficiencies in the most disadvantaged neighborhoods,

⁶⁷ "Premarital Sexual Experience Among Adolescent Women - United States, 1970-1988," Morbidity and Mortality Weekly Report, Centers for Disease Control, Jan 4, 1991, Table 1.

⁶⁸ Hayes and Hoffreth, 1987, pp. 75, 82.

⁶⁹ Daniel P. Moynihan, Family and Nation, (Harcourt Brace Jovanovich, New York) 1986, p.167.

⁷⁰ Hayes, 1987, pp.98-104.

Federal resources could be coordinated and pooled to encourage appropriately comprehensive interventions. For example, Federal guidance for implementation of empowerment zone legislation could include a prevention theme, encompassing the complementary elements of economic and social reform in the disadvantaged neighborhoods that will become empowerment zones.

- D3. Planning, organizing, and coordination funds could be provided to networks of voluntary social institutions (such as PTAs, scouts, little league, church groups, and neighborhood watch) in "sister neighborhoods," one very disadvantaged and the other less so, to promote mutual support and reduce social isolation.
- D4. Programs of adults volunteering to work with disadvantaged children one-on-one, such as Big Brothers, Big Sisters, and volunteer tutoring, recreation, and mentoring programs, could be given a White House spotlight and a federal research agenda and best-practices clearinghouse under a unifying national theme, such as Reach One Child.
- D5. Executive agencies providing social program funding to states and localities could be instructed to determine the legality and appropriateness of including inner-city church groups as grantees or sub-grantees.
- D6. States could be encouraged to include counseling of at-risk teenagers among the types of community service assignments to which family heads may be assigned after their AFDC time-limit has expired.

Option D1 - Presidential commission on television, the family, and character

The public is more certain than the experts about the effects of television on character and behavior. A 1987 poll found that 81 percent of respondents (87 percent of those with children) believe that television influences the values and behavior of those who watch several hours a day. More than two-thirds of parents expressed concern about the effect television has on the values and behavior of their own children. More specifically, 64 percent of all respondents believe that television encourages teenage sexuality, and 83 percent believe that television exaggerates the importance of sex in American life.⁷¹

Researchers often share this intuition about the power of television, but the way television influences behavior and the impact of sexual programming on children and adolescents are still matters of controversy. While knowledge of sexual subjects

⁷¹ Planned Parenthood Federation, 1987, pp.3-4.

clearly is increased through television programming, evidence of influence on behavior has been limited largely to effects of portrayals of sexual violence.⁷² However, a more indirect, but perhaps more pervasive influence of television upon sexual behavior is the apparent increase in general impulsiveness and reduction in the ability to tolerate delay of gratification that has been observed in the context of research on television and violence.⁷³ These characteristics have been associated with a number of forms of dangerous behavior, including early sexual initiation and poor contraceptive practices.

We know that the ties between at-risk teenagers and the social institutions that usually transmit sexual norms - families, schools, and religious institutions - are weak. We know little about how the apparent substitutes for these institutions - peer groups and mass media, particularly television - shape teenagers' views and values.⁷⁴

Much less do we know how the effects of television may have changed over the past several decades. Content analysis of television programming found a sharp increase in programming with implicit or explicit sexual behavior in the 1970s. References to possible negative consequences of sex are rare.⁷⁵ However, as one author notes, "...it remains for researchers to discover the long-term effects on human development and behavior for a generation of young people who have never lived without a TV."⁷⁶

A Presidential commission, or some other high-profile gathering, might be convened to promote and summarize necessary additional research on the relation of television to character development and sexual behavior, and to oversee a public debate about how best to limit any negative effects of television and promote positive effects. Positive or "pro-social" potential for television has been confirmed by research. On a short term basis, pro-social television programming has been shown to produce desired behavior in children, and the medium played an important role in the public education campaign against smoking. The potential for television to have a prevention effect through parenting education seems especially promising. Judging from opinion surveys, a high-profile search for knowledge and practical solutions in this area would be supported by a large majority, particularly parents.

⁷² Aletha C. Huston, et.al., Big World, Small Screen - The Role of Television in American Society, (University of Nebraska Press, Lincoln) 1992, pp. 46-51, 135.

⁷³ Wilson and Herrnstein, 1985, pp. 338, 350.

⁷⁴ Hayes, 1987, pp. 105-6.

⁷⁵ Hayes, 1987, pp. 91-2.

⁷⁶ Hayes, 1987, pp.91-2.

Although the public's interest in the possible effects of television on character development and sexual behavior is not likely to be disputed, the ongoing public debate about the effect of televised violence shows how difficult it is to address the social effects of television. Free expression is a fundamental value in America. A public discussion of the effects of television on character would have to confront the possibility that free expression has been ascendent over responsibility to others and the common good.

Option D2 - Neighborhood and comprehensive approaches to prevention

While teenage childbearing is not exclusively an inner-city problem, teenage mothers are often more concentrated in inner-city neighborhoods than elsewhere. Research indicates that neighborhoods themselves may promote teenage childbearing, with the most disadvantaged neighborhoods having very large effects.⁷⁷

"Epidemic" and "tipping" models have been suggested to explain neighborhood effects on underclass behavior. Whatever the process, in the worst neighborhoods, the pillar social institutions typically are all in decay - families, schools, policing, other municipal services, and employment. The comprehensive nature of the problems seems to call for maximum coordination of resources in an equally comprehensive intervention.

Option D2(a) - A lot of interest and hope follows efforts to coordinate and optimize the effects of the considerable levels of government social spending already flowing into inner-city neighborhoods. However, one ingredient widely regarded as a necessary foundation for turning a neighborhood around - employment - seems to require more than better use of current government program funds.

Programs exist to prepare residents of disadvantaged inner-city neighborhoods for employment outside their neighborhoods. Increasing employment opportunities within these neighborhoods would require either creation of a public jobs program or an infusion of private capital. Empowerment zones represent an unusual opportunity for the latter.⁷⁸

⁷⁷ Jonathan Crane, "Dropping Out and Teenage Childbearing," in Jencks and Peterson, 1991, p.317.

⁷⁸ Six urban zones (each with a population of no more than 200,000 and a poverty rate of at least 20 percent in each census tract) will each receive \$50 million block grants in each of the first two years of designation. They also will share most of \$2 billion in tax incentives over the first five years of operation, and gradually declining tax incentives over the remainder of their ten years' duration. Under the largest tax incentive, employers locating within a zone will receive up to \$3,000 in tax credits for each zone resident employed. (It is expected that most of the employees covered by the credit will not represent net employment gains for the neighborhood.)

The most direct means of promoting prevention themes in empowerment zones would be to require the strategic plans that applicants submit to address subjects and issues research and experience show are critical to pregnancy, drop-out, and welfare prevention. For example, applicants might be directed to address in their strategic plans how they will increase opportunity for male and female youth who display the characteristics and behavior that puts them at-risk of early sexual initiation and becoming a teenage parent. In light of what we know about the links between stable families, educational success, pregnancy prevention, and employment success, the introduction of prevention themes into the strategic plans would be consistent with the primary economic and employment focus of empowerment zones.

Two major sub-options for introducing prevention themes into empowerment zones are available. The most aggressive approach would be to require the strategic plans to address such prevention issues, and then give weight to these elements in the competition for designation of empowerment zone status.

Prevention would become a more optional theme if, instead of specifying issues for the strategic plan to address, federal guidance only suggested that prevention was an important factor in the coordinated economic, human, community, and physical development of the zone. Technical assistance could be provided to zone applicants who asked for help in developing this aspect of their plan.

However, it must be kept in mind that designing and implementing an effective strategic plan focussed on the economic development and employment elements of empowerment zones represent a very large challenge. It may be unrealistic to suppose that local zones will also be able to make a quantum leap from the current tangle of social programs in an urban neighborhood to a comprehensive services approach favored by much theory and little practice.

A medium-sized urban zone of 100,000, with a poverty rate of 25 percent, might, over the first five years, receive \$300 million in grants and credits, or \$3,000 per person, or \$12,000 for every poor person. Although the internal distribution of these funds will vary from zone-to-zone, clearly, empowerment zones have the potential to provide a rare large infusion of private capital and employment subsidies into inner-city neighborhoods where teenage childbearing is most prevalent.

To be designated an empowerment zone, an area must submit a strategic plan that describes the coordinated economic, human, community, and physical development proposed for the zone. Statutory language describing uses of grant funds echoes the theme that social and community development are intended to complement economic development in the zones. These statutory references to social, as well as economic, objectives could be the basis of federal efforts to promote prevention themes in development of the strategic plans.

Option D2(b) - A more controlled approach to the development and trial of comprehensive services approaches might be pursued outside the context of empowerment zones. An interagency initiative might develop models or principles of comprehensive interventions that could be used to solicit interest among states and cities. For this purpose, current funding amounts and statutory flexibility might be marshalled, or special legislation for controlled experimentation might be sought.

Such an approach would permit a more deliberate design and implementation phase than empowerment zones. And, rather than leaving program development entirely to local groups, as with the strategic plans of empowerment zones, this option would allow a partnership of federal, state, and local planners to create comprehensive programs that are tailored to local needs but also reflective of the current state of research and as wide a range of experience as possible.

It is not clear that sufficient resources could be allocated to create much economic improvement and increased employment within the neighborhoods chosen to pilot the comprehensive approaches. As noted above, to the degree that this foundation of economic improvement must be the basis for turning around the families, schools, and other pillar institutions of an inner-city neighborhood, empowerment zones represent a rare opportunity. However, a competition for authority and some special social program funding to pilot such comprehensive service approaches could set as one criterion the ability of local areas to assure economic development and employment increases within the pilot neighborhoods through private sector and state resources.

Option D3 - Voluntary socializing institutions

An extraordinary expansion of socializing effort by non-governmental groups has been identified as one of factors in the long decline of crime from the mid-19th to the mid-20th centuries. Many of these associations are still in existence, often in disadvantaged neighborhoods.⁷⁹ One strategic approach to early prevention is to support the work of these voluntary socializing institutions in the neighborhoods that need them most, through an organized network of parallel institutions from a "sister" neighborhood.

For example, federal planning and coordination grants might be provided to a coalition made up of pairs of PTAs, YMCAs, scout troops, little leagues, and church charity and social service agencies, one of each pair from an inner-city neighborhood and the other from a more stable, mainstream neighborhood nearby. Such a variety of paired

⁷⁹ A frequently used cut-off for discussions of underclass neighborhoods is a poverty rate of 40 percent, meaning up to 60 percent of the neighborhood may not be poor.

associations probably would develop a similarly wide variety of ways that the more stable could help the less stable.

In addition to the provision of help in the form of material resources from the more well-off to the less well-off member of each pair, the presence of the other's members in the functions of each neighborhood's organizations would be sought. In light of the level of violent crime in many inner-city neighborhoods, such interaction of memberships might call for an unusual level of social solidarity. However, social conscience is at the core of many of the groups included in the example above. And, in light of the possibility that a declining prevalence of middle- and upper-class role models in inner-city neighborhoods has contributed to development of underclass behaviors,⁸⁰ helping to diminish the social isolation of some inner-city neighborhoods could have a significant preventive effect independent of strengthening the local socializing institutions.

Option D4 - Reach One Child

A wide variety of prevention-oriented programs employing volunteers rather than government employees exists already on the local level. A separate, on-going, interagency group might be established to think of ways to promote such programs, as the Points of Light office did under the previous Administration.

The Points of Light initiative was very broad in its coverage, and lacked an organizing or unifying theme, beyond volunteerism. An organizing theme is important to communicate overall objectives, obtain visibility, promote continuity, and give participants the encouragement and hope for success that comes from being a part of a common effort much larger than themselves. The framework of "sister neighborhoods," described above, proposes an institution-based theme on which to organize volunteer resources.

Volunteer programs dealing directly with at-risk children on a one-to-one basis could be promoted under a prevention theme of reaching one child. Big-brother and big-sister programs, boys clubs and girls clubs, scouts, recreational programs, tutoring and counselling programs for children and youth would be included. In addition to any primary service or activity of the volunteer groups, reduced social isolation of the most disadvantaged children would be a common theme. Prevention issue group members provided first-hand examples of such programs, including volunteer tutoring, counselling, and attendance monitoring and encouragement efforts in D.C.'s Hine

⁸⁰ e.g., William Julius Wilson, "Public Policy Research and The Truly Disadvantaged," in Jencks and Peterson, 1991, pp. 461-2.

Junior High School that appear to have had substantial impacts on attendance over the last four years.

The White House could provide a national platform for communicating the theme of reaching one child, through statements and recognition events. In addition, the federal government might develop a research agenda and clearinghouse of research and best-practices, so that successful innovation in recruiting and training volunteers and reaching disadvantaged children could be documented and replicated. To reduce the social isolation of disadvantaged children, adults participating on a volunteer basis may necessarily be more effective than paid "service-providers" dealing with "clients." If that is true, government's role in such an initiative may have to be limited to research, organizing, and cheer-leading.

Such an option would inevitably invite comparison with the Points of Light effort of the previous Administration. That initiative was criticized for being a substitute for bolder government action.

Option D5 - Religious institutions as grantees

In some of the nation's most disadvantaged neighborhoods, the strongest pillar institutions are churches. Through their sectarian activities, religious institutions inculcate character in individuals and support other socializing institutions, particularly the family. However, inner-city churches often provide non-sectarian services and programs that are largely indistinguishable from similar publicly funded activities. A limit on public funding of the social service activities of religious institutions is the Constitution's prohibition against government "establishment" of a state-sponsored religion.

Where human service agencies sponsored by religious institutions provide their services in a manner that is completely separated from any religious context or message, government funding sometimes has been allowed. For example, hospitals sponsored by religious institutions may receive medicare or medicaid reimbursements, and, more recently, religious institutions that operate child care centers have been allowed to receive funding under child care programs created by OBRA 1990.

Executive agencies could be instructed to actively expand the range of federal funding received by religious institutions, or their coalitions, to provide human and social services within disadvantaged neighborhoods. Principles governing government funding already received by religious institutions would be followed in any expansion of funding, so that new legislative authority would not be needed.

The National Council of Churches has recommended such a policy, arguing for funding to coalitions of religious organizations that are inherently watchful that their activities do not promote the sectarian aims of any member. They note, "Housing, health care delivery, supplementary education, job training, public works projects in local neighborhoods, and small business development are projects religious bodies already try to do but are limited by meager resources."

As noted, the primary effects of churches on character development and support of the family presumably come through their religious activities, rather than through providing services that substitute for government services. There is no certainty that increasing human and social service funding to religious organizations would strengthen them in these socializing functions of most direct interest to prevention. On the other hand, to the degree that churches can be more effective in delivering social service programs because they are churches, the "no establishment" issue seems to be reintroduced. For example, by reaching out into their communities to deliver social programs, churches might well expand their membership.

Option D6 - Prevention counselling by young AFDC mothers

The weak attachment at-risk youth often have to institutions that are supposed to transmit sexual norms - the family, schools, and religious institutions - may mean they are more likely to be influenced by the mass media or peers. Researchers have consistently found that a teenager's attitudes are associated with his or her beliefs about the behavior of peers.⁸¹ One result has been development of peer-based counselling and education programs to increase teenagers knowledge and willingness to discuss sexuality. To date, the effectiveness of peer counselling on sexual behavior, pregnancy, or childbearing has not been tested rigorously.⁸² However, there are good grounds to at least explore this intervention more fully.

In theory, counselling of at-risk teenagers by young welfare mothers could be especially effective. The peer counsellors' similarities in age and background would increase their credibility, and their personal experience as teenage mothers on welfare would increase their authenticity.

While not every young mother on welfare might be suitable as a peer counsellor, it seems clear that many have learned lessons that would be useful to those a little younger. In one recent focus-group study of young mothers on welfare and the

⁸¹ Hayes and Hoffreth, 1987, pp.27-8.

⁸² Hayes, 1987, pp. 145-6.

absent fathers of their children, Frank Furstenberg found that virtually all the young parents believed it would have been better to postpone the birth of their first child.⁸³

Volunteer peer counsellor programs might be funded by the same sources used to fund life-options and sexuality education programs. However, welfare reform could create other opportunities for peer counselling. Requirements for mandatory activities during time-limited eligibility for AFDC might be expanded to allow volunteers to be trained and assigned as peer counsellors. Mandatory activities will include human capital enhancement and labor market tests. Peer counselling at-risk teenagers might be included in the range of acceptable activities due, at least in part, to the apparent benefit to peer counsellors. Descriptions of peer advocate programs report increased knowledge and responsibility among the peer counsellors.⁸⁴ Additionally, peer counselling training and experience might be embedded in an enhanced education and training program to prepare candidates for related permanent employment.

Additionally, post-transitional community service could include peer counselling assignments. As with counselling during time-limited eligibility for AFDC, post-transitional assignments would have to be among volunteers. Generally, it should be expected that parents who reach the end of the time-limit and become subject to the community service requirement will have fewer labor-market advantages, such as less education, and work experience, and perhaps more emotional and behavioral handicaps. These characteristics might also reduce their effectiveness as peer counsellors. Accordingly, we should expect that assignment of post-transitional community service workers as peer counsellors might require more screening and training than assignment of transitional period recipients.

⁸³ Frank F. Furstenberg, Jr., et.al., "Caring and Paying: What Fathers and Mothers Say About Child Support," (Manpower Demonstration Research Corporation, New York) 1992, p.54.

⁸⁴ Hayes, 1987, p.146.

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EDUCATION-ORIENTED DROPOUT AND PREGNANCY PREVENTION PROGRAMS

The evidence on education-oriented dropout and pregnancy prevention programs indicates that:

- Disadvantaged youth do not have adequate information on educational or occupational opportunities available to them.
- Where opportunities are available, disadvantaged youth require social support systems to enable them to take advantage of those opportunities.
- Immediate and longer term incentives are necessary to provide motivation to improve their school performance and complete high school.

The following summarizes the research on dropout prevention, outlines components of effective dropout prevention programs, and describes incentive programs for improving school performance and completing high school. These components and incentives are best implemented in comprehensive programs and school-wide reform efforts that provide early intervention and include high expectations for all students.

LACK OF INFORMATION LOWERS EDUCATIONAL EXPECTATIONS

The evidence indicates that youth from welfare and other low-income families fail to attain high school graduation because they see no connection between remaining in school and improving their future prospects. At-risk youth often have little information about jobs and careers and few role models in good jobs. They are convinced that they will never attend college, because funds to go to college will not be available.

- Young women who attach less importance to school or work and who feel that they have few educational and occupational opportunities are more likely to become teen mothers. Those with lower scores on tests of academic performance and, particularly for blacks, lack of future educational plans are more likely to become pregnant and drop out of school or vice versa to drop out of school and become pregnant.
- While early childbearers are more likely not to finish school, many complete high school, obtain stable employment, and control their future fertility--contrary to stereotyped images of adolescent mothers. Higher levels of success are related to: higher educational aspirations, especially if the young mother was at grade level at the time of the pregnancy; the willingness to avoid additional pregnancies; and temporary residence with parents, who often provide support for a teen parent to finish high school.

From a policy perspective, this suggests that teenagers's awareness and perception of what she would stand to lose by becoming a single mother can act as a powerful deterrent to doing so. Youth need to be better informed of the opportunities available to them and provided with incentives to take advantage of those opportunities.

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CREATING OPPORTUNITIES FOR LONG TERM SUCCESS

Disadvantaged students frequently begin school without the skills needed to succeed and, by the sixth grade, many students are already two years behind grade level. The following components of effective dropout prevention projects could be implemented as special programs for at-risk youth in regular schools, a "school within a school," alternative schools that serve only at-risk youth, or other similar arrangements or could be incorporated into school-wide reform efforts.

- Accelerated learning strategies for improving academic performance.
- Systematic monitoring of attendance and follow-up with parents.
- Counseling services which include individual, group, or family counseling.
 - Full-time counselors may work with teachers, parents, other community service agencies, and employers.
 - Advisor/mentors also assist students with school-related problems and in their interactions with community agencies and employers. These individuals--both school-based and volunteer--are proactive in their approach, seeking out students rather than waiting to be contacted by students.
- Career awareness and preparation services (such as career guidance, vocational training, enhancement of employability skills, job internship, and job placement services), and
 - Paid-work experience is a key incentive and means of linking the value of schooling tangibly to future work.
- Social support services can be based in the school to provide services such as day care for children of students, health care, and transportation. Alternatively, a case manager located in the school can refer students to services available in the community such as legal aid and financial support.

INCENTIVES TO DO WELL IN SCHOOL

"Tuition Guarantee" Plans. Although the availability of student financial aid is broadly advertised, many have concluded that the message is reaching only the academic achievers among the poorest students. This has led to several "tuition guarantee" plans through which elementary or junior high school students from the poorest families, in return for various academic and moral commitments, are promised full-cost funding for two or four years of college.

- Sponsors of these programs have found that in addition to tuition guarantees, other support services, such as mentoring, tutoring, and establishing links with colleges, are also necessary to encourage youth to remain in school.

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- **Omaha Housing Authority Program.** Four colleges have earmarked scholarships for high school graduates who live in Omaha's public housing. Every child with a perfect school attendance record receives a \$100 saving bond at an end-of-year ceremony. These bonds, as well as recreational and parent/student activities, are partly funded by a \$1 surcharge on public housing residents' cable TV fees which are discounted.

"Job Guarantee" Programs. Paid work experience of less than 20 hours a week can provide work-based learning that enriches school-based learning and links academic learning to future employment. Adult supervisors and co-workers act as role models in the work place. Job placement assistance is particularly important to disadvantaged youth with little information and few connections enabling them to find initial employment.

- **Compact Partnerships.** The purpose of the Job Collaborative program of the Boston Compact is to improve the quality of public education and increase employment opportunities for youth by securing employment opportunities after school, in the summer, and upon graduation.

- **Placement of high school graduates is based on their high school achievement and attendance.**
- **Career Specialists provide a variety of services to students such as career awareness, job training, counselling, resume and interview preparation, college and financial aid applications, as well as job placement services.**
- **The number of youth served has increased since the program began in 1980 as the number of companies participating has increased. Boston public high school graduates earn \$3.00 more per hour than the national average and have much lower unemployment rates.**

Welfare Sanctions and Benefits. Welfare reform programs such as Wisconsin's Learnfare and Ohio's LEAP program show that financial sanctions and incentives alone are not effective in increasing school enrollment and attendance.

- **Ohio's Learning, Earning, and Parenting (LEAP) Program** uses financial incentives and penalties to promote school attendance among pregnant and parenting teenagers on welfare. Teens who provide evidence that they are enrolled in a school or program receive a bonus payment of \$62 and \$62 in their welfare check for each month in which they meet the program's attendance requirements. Teens who do fail to provide proof of school enrollment have \$62 deducted from their grant in every month until they comply. Similarly, enrolled teens are sanctioned \$62 for each month in which they exceed the allowed number of unexcused absences.
- **Each LEAP teen is assigned to a case manager, who is responsible for explaining the rules, monitoring compliance, and helping the teen overcome barriers to school attendance. Teens are also eligible to receive assistance with child care and transportation as needed to attend school.**

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- The evaluation of LEAP shows that school retention increased school retention among in-school teens and many dropouts returned to a school or adult education program.
- Rates of repeat pregnancy are high among LEAP teens, and LEAP appears to have smaller effects on teens who have subsequent pregnancies. Originally LEAP did not automatically exempt pregnant teens; however, after the first year, a pregnancy exemption was added. This exemption may send an inappropriate message about additional pregnancies.
- Wisconsin's Learnfare requires all AFDC recipients between the ages of 13 and 19 to regularly attend school or an alternative program leading to a high school diploma or a GED credential in order for their families to continue to qualify for their full AFDC grant. Learnfare's use of financial incentives is limited to sanctions; it does not grant increase for good school attendance.
- An evaluation of the Learnfare program found that attendance has not improved among students whose families are on welfare, however, sanctions have not been consistently applied. It is our understanding that results of the Learnfare program have been more positive in areas other than Milwaukee, where a range of alternative services are available to students returning to school.

Policy Option 7
Supplemental Input
Office of Population Affairs
Public Health Service

Our discussions of programs and services to divert persons from the welfare system center around services and approaches which support families and assist them to operate as more coherent and effective social and economic units. Nevertheless,

- o family planning programs are unlikely to work very well if adolescents become sexually active before they are aware of clinic functions or even existence;
- o jobs programs are unlikely to work very well for young persons for whom work is merely an alternative means to secure resources, and for whom a work ethic is theoretical rather than experientially ingrained;
- o school-to-work programs are unlikely to have much effect if the school curriculum is, or is seen to be, irrelevant, or if kids drop out, physically or emotionally, before the school-to-work intervention kicks in;
- o intensive case management programs designed to stabilize individual families are promising in theory, but intensive interventions are enormously expensive, seem to work best only when staffed with exceptional case managers, and they do not take advantage of the efficiencies, or opportunity for peer reinforcement, of a curriculum-guided school-based intervention.

This is not to say that these components (family planning, work training, school to work transitions) are not important. However, all of these approaches are enhanced by the component that has been given least attention in our discussions: early and comprehensive life skills education complemented by a parental education component. Such an intervention can provide;

- o age appropriate health and sexuality education, including information on disease and pregnancy prevention, contraception and access to clinic services, and avoidance of substance abuse, as well as coping with substance abuse in the household;
- o education and training on decision making, including consideration of deferral of gratification, resistance to peer pressure and refusal skills;

- o education on "the way the world works," including the role and functioning of families, racism, the relationships between education, employment and income, and identification of risks to individual and family development;
- o a parental component. This is particularly important for parents who themselves became parents too young, or with insufficient parenting skills, or with little personal experience with a functioning family. This won't work for everyone, but some parents will participate, and they will derive benefits from it.
- o Linkage to counseling and casework services. School based curricular interventions can only do so much, and when the limits of their capabilities are reached, individual professional services are needed. But the school program can identify the kids (and families) for whom the school based services are insufficient, and referrals can be made.

Curricula delivered to students on an intensive two week basis, or one hour a week over one semester or one year are unlikely to have much effect. We would never propose that math be taught in such a manner, because we know that it would be insufficient. Yet the life skills curriculum for at-risk-of-welfare kids is at least as important as math... if only because it may give kids a reason for dealing seriously with their math lessons.

Rather, this life skills education should be started early (kindergarten) and continued through high school. Obviously, the material, whether sexuality related, focused on decision making, or on coping with substance abuse in the family, should obviously be introduced only as the age of students makes such introduction appropriate.

Curricula exist which have been shown to be effective in dealing with many of these issues, although we are unaware of any that deal with all of them or last from elementary through high school. Different curricula could be used, several could be combined and modules on specific topics developed to make for smoother transitions in approach and material. Some of the substance proposed for inclusion is more controversial than others, but the entire approach would require community and parental review and approval before adoption by any school district.

A Federal role could include development of (or combining) curricula, as well as demonstrating and/or testing their use in communities which agree to participate. A long-term Federal commitment would be necessary, however, if the effect of a complete (13 year) program of life skills education is to be assessed for even one cohort.

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**GROUP #9
PREVENTION**

FAMILY COMPREHENSIVE PROGRAM/POLICY

Most services offered to "single parent families" are designed for the head of household. In some cases, there will be some form of support services such as day care and transportation costs. Unfortunately few, if any, of the programs offered are designed to "stabilize the household" so that the entire family will eventually become self-sufficient.

The head of household has to contend with a series of crisis situations, both in and outside of the home, which can make it difficult to seek outside assistance that can make a difference in the quality of life. Keep in mind that poverty and its attendant ills---the proliferation of violence, teen parenthood, substance abuse, poor health, low educational achievement, juvenile delinquency, lack of self esteem--- have a profound affect on the ways in which young people and adults perceive and act upon the range of opportunities available.

In the process of planning, thoughts could include a "Family Comprehensive Program or Policy" that would serve as a **STABILIZER** first, then as the **CATALYST** to move the entire household towards self-sufficiency.

WHO WILL IT SERVE?

- Severely "at risk" households
- Grandparents who are in the "second phase" of parenting (many are young, healthy, and possess some work experience)

WHAT WILL IT DO?

- Access individual household members to determine levels of service
- Focus on prevention and problem solving in order to create stability within the household
- Provide intensive case management, referral, and follow-up

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PREVENTION GROUP
FAMILY COMPREHENSIVE PROGRAM/POLICY
PAGE TWO

EXPECTED OUTCOMES:
(AFTER 2 YEARS)

- Decrease in "RE-CYCLE SYNDROME"
- Decrease in "TOTAL" public assistance needs per household

POSSIBLE INCENTIVES:

- Extension of housing subsidies
- Extension of medical coverage
- Clothing Bonus for those employed a minimum of one year and a maximum of two
- Clothing allowance only for children whose attendance is 95% of days required per school year

Policy Question #3: Family Planning Services

Issue

Adolescent childbearing has long been associated with numerous consequences that are well documented in the literature. Among these are reduced educational attainment and employment opportunities for adolescent parents. In turn, poverty and AFDC receipt are more prevalent in families begun by adolescents, particularly those that are unmarried. It has been estimated that more than \$25 billion in AFDC, Food Stamps and Medicaid could be saved if all costs attributable to adolescent childbearing were eliminated (which is a theoretical, although not a practical, goal). (Center for Population Options, 1992). Moreover, the children of adolescent parents are more likely to become adolescent parents themselves, perpetuating the cycle.

To the extent that early childbearing increases the likelihood of welfare dependency, expanded family planning services have the potential to reduce the incidence of adolescent pregnancy and thus, the early family formation that is typified by single parent status and dependence on public assistance. It has been estimated that for every dollar invested in family planning services, a savings of \$4.40 in averted expenditures for welfare and medical services is realized (Forrest and Singh, 1990). It should always be recognized, however, that contraceptive education and services cannot be effective if adolescents are not motivated to avoid pregnancy because they do not perceive any advantage in deferring parenthood.

Background

The Family Planning (Title X) funding level, which in nominal terms surpassed in FY 1993, for the first time, the appropriation level of the last (1981) Carter budget, nevertheless has much less purchasing power than in 1981. This is the result of three factors: (1) inflation, (2) clients presenting with more serious problems (younger, a greater number of lifetime partners, more likely to be infected with a STD and more at risk of a serious STD, including HIV) and (3) increased costs of clinic operations, including more stringent OSHA rules, more need for infection control procedures and CLIA.

The FY 1993 and 1994 Title X budgets called for substantial increases, and the FY 1995 budget is likely to call for further increases. However, it should be recognized that these steps represent only decreases in the service gap, rather than net increases in overall program capability from some already achieved standard. Within the priorities identified for Title X attention are increased outreach to low-income women including adolescents, other persons at risk of unintended pregnancy or STD and greater emphasis on teen pregnancy, including development of

new counseling techniques and new service arrangements and auspices for conducting counseling and services to teens.

While there are a number of other Federal programs which offer potential for increasing emphasis on family planning, Title X and an adolescent pregnancy or adolescent health approach focus most directly on prevention of teen and other unintended pregnancy and are most amenable to change in policy direction:

- o Medicaid, while spending more on family planning than Title X, does so mainly through private physicians or general focus clinics rather than through organized family planning programs. Further, the structure of Medicaid rewards units of service provided, rather than outreach or counseling.
- o Maternal and Child Health, the Social Services Block Grant and PHS Primary Care programs all provide family planning services, in most cases as part of a broader spectrum of care. None of these programs has a particular focus on prevention of unwanted pregnancy or outreach to sexually active teens and young women.
- o Title X policies typically govern a total program that is triple the size of the Title X grant. These additional funds include MCH and SSBG funds included as part of the Grantee's Title X program, patient fees collected from middle income clients, State and local government funds, and reimbursements, including Medicaid.

Policy Approaches

1. Expansion of family planning services to reduce the probability of welfare dependency can build on Title X plans already being emphasized. These include:

- o Increased Outreach Efforts: Outreach would include information to demystify clinic procedures, as well as dispel myths and incorrect information about sexuality and contraceptives. Clinic personnel would deliver information directly to adolescents, through education and familiarization sessions at clinics, through presentations in schools and in locations such as Job Corps sites, community centers, runaway shelters, homeless shelters, drug treatment centers and juvenile detention facilities. (Note: Such outreach is not new for Title X. However, budget constraints have led program administrators, faced with whether to emphasize outreach or to emphasize service to clients already in queue, to choose the latter.)

- o **Enhanced Counseling Services:** Counseling services would include encouraging abstinence where appropriate, reinforcing decision-making and refusal skills and, for persons choosing contraception, the importance of proper and consistent use. Two crucial aspects of an enhanced counseling effort would be attention to the adolescent's personal situation when deciding among contraceptive methods and emphasis on safer sex practices, especially condom use to prevent STD even when oral contraceptives, Norplant or other nonbarrier methods are chosen.
- o **Accessibility of Services:** Clinic personnel would be specifically trained to counsel and treat adolescents. In addition, clinic protocols would be developed for adolescents--including emphasis on assurance of confidentiality, service hours that would coincide with the hours adolescents are available (after school, evenings, weekends), accomodation for walk-in services and an emphasis on STD screening. Service sites must also be accessible, with clinics set up in locations that are in or near schools, community centers and low-income neighborhoods.

Research indicates that adolescents delay visiting a clinic or physician for contraceptive services because of concerns about confidentiality, fear of the pelvic examination and other clinic procedures and a belief that contraceptives, specifically medical methods, are dangerous. For those adolescents who do seek contraceptive services, confidentiality, caring staff and accessibility are primary considerations in clinic choice. In addition, clinic attendance, soon after or before sexual debut, is associated with clinic outreach services, convenient hours and availability of group counseling and education sessions. (Zabin and Clark, 1981; Zabin and Clark, 1983; Kisker, 1984) It has also been found that a more directive approach with adolescent clients, "authoritative guidance", is more successful in maintaining continuation of a contraceptive method. (Nathanson and Becker, 1985)

In addition to clinic characteristics, success of clinic services also seems to be coupled with other interventions such as focused educational or counseling components. A recent evaluation of six school based clinics found that providing contraceptive services alone was not enough to increase their use. Rather, increases in contraceptive use were observed in those clinics where the associated school had a strong educational program on prevention issues. (Kirby, 1991) Evaluation of a school linked program in Baltimore showed delays in sexual activity, increases in contraceptive use and decreases in pregnancy among participating students. Clinic services were linked with two schools and, in addition to medical and contraceptive services, the program included sexuality and contraceptive education, as well as individual and group counseling. (Zabin, et.al., 1986)

2. Adolescent pregnancy prevention (or, more broadly, adolescent health) services through the Title XX program, or its successor, would be greatly expanded to provide a more comprehensive approach.

- o **Development and Dissemination of Sexuality Education Curricula:** Curricula would be developed as part of a comprehensive health education program which begins in the early grades. It would include age appropriate sexuality education including reasons and means to delay sexual activity (especially targeted to younger adolescents) and also complete information on contraceptives.
- o **Support for School Based and School Linked Services:** Funding support for school based and school linked services would ensure the provision of comprehensive health education and services. In addition, support for contraceptive education and services would be provided for those communities that request them.

Evaluations of sexuality education programs have shown little effect. Gains in knowledge have been demonstrated, but that does not seem to translate into changes in behavior. However, three relatively new sexuality education curricula have shown promising results with respect to delay of sexual activity, as well as increased contraceptive use when sexual activity is initiated. (Howard and McCabe, 1990; Kirby et al, 1991; Risen et al, 1990) All three programs include information about sexuality and contraception, as do most traditional sexuality education programs. The important difference is that they also include training in decision-making and resistance skills and practice in applying those skills. It is interesting to note that these programs appear to be more effective with younger adolescents and with those who have not yet initiated sexual activity, providing support for the argument that sexuality education begin earlier than is currently the norm. Another study has shown that young men who reported receiving instruction in resistance skills had lower rates of sexual activity than those who did not receive such instruction. (Ku, et al, 1992)

Evidence to support the effectiveness of contraceptive services in school based or linked clinics has been discussed above. It is important to add, however, that there are approximately 500 of these clinics throughout the U.S. and, while not all provide reproductive health services, most do provide a comprehensive array of physical and mental health services, as well as health education. Even in the absence of reproductive health and contraceptive services, the experience of these clinics can be applied to some of the issues concerning services and programs for high-risk youth.

A recently completed process evaluation of the Robert Wood Johnson Foundation's School-Based Adolescent Health Care Program indicates that clinic location within a school, staff with expertise in and a preference for working with adolescents, and provision of comprehensive services--including education in sexuality and family planning, STDs and HIV, substance abuse, stress management, decision making and self esteem--has increased students' access to and use of services. In addition, the evaluation finds that maintaining confidentiality and demonstrating respect for students are crucial in recruiting and retaining clinic clients. (Marks and Marske, 1993)

Discussion

There are a number of obstacles, identified in the literature, to successful contraceptive use by adolescents. Some are psychological--reluctance of adolescents to admit their sexually active status and, directly connected with this, the notion that intercourse is more acceptable if it is "spontaneous". Both of these, of course, preclude contraceptive use because, other than withdrawal, such use must be planned for ahead of time.

These problems obviously will not be solved by increasing access to family planning services. However, they might be amenable to outreach and education efforts. By reaching adolescents in their own environments to resolve myths and fears about sexuality and contraceptives, as well as provide information about availability and location of services, these barriers to contraceptive use could be reduced. In addition, the role playing usually employed in resistance skill training provides practice for dealing with unplanned events and, in fact, helps legitimize planning. Focus groups conducted with high-risk youth indicate that while youth are reasonably well informed about health issues, they need help with integrating and applying that information. (HHS, 1993)

It is also well established that even when adolescents do use contraceptives, they often do not use effective methods and they do not use them consistently. Again, education and counseling play an important role. There is little reason to believe that providing services alone will improve adolescent contraceptive use, but there is evidence that combining services with education and counseling will have a positive effect. (Zabin et al, 1986 and Kirby, 1990)

There are also lessons to be learned from research comparing the experience of U.S. and West European adolescents. Although levels of adolescent sexual activity appear to be similar in the U.S. and Western Europe, pregnancy and birth rates are much higher for U.S. adolescents. Conversely, sexuality education and contraceptive services are more accessible for West European adolescents and contraceptive use higher. (Jones, et al., 1986) While European policies cannot be adopted wholesale by the U.S., the European experience does provide further evidence that

education, through the schools and the media, and accessible services do increase contraceptive use among adolescents and increased contraceptive use does lower pregnancy and birth rates.

Additional problems with reducing adolescent childbearing that are particularly pertinent to high-risk populations concern issues dealing with perceptions of self and of life options. If an adolescent has no belief in his or her future, or their control over it, there is little incentive to avoid pregnancy and parenthood. Sufficiently expanded family planning services can begin to address this through education and counseling efforts. Many current sexuality education curricula include components designed to improve self-esteem and decision-making skills and there is some limited evidence that they are successful.

Integration of this type of program with contraceptive service provision and programs to significantly enhance educational and employment opportunities could reasonably be expected to show positive results for at-risk youth--both in terms of reduced childbearing and welfare dependency. Any single intervention is unlikely to work. It does appear that high-risk youth need the motivation--belief in their ability to affect their future and that that future holds promise--and the means--either support to delay sexual involvement or education about, and access to, contraceptives when they are necessary--to delay parenthood and become productive members of their community.

In 1987, The National Academy of Sciences released a report on adolescent sexuality, pregnancy and childbearing, Risking the Future. Although conclusive evidence was lacking in support of specific program models, a number of recommendations were made in the interest of reducing the rate and incidence of unintended pregnancy among adolescents. (Hayes, ed., 1987)

- o Enhance Life Options. Higher-risk adolescents need reasons to delay parenthood through help and encouragement in establishing career goals and understanding the value of education and training in achieving them. Recommended program interventions included life-planning courses, programs to improve school performance, employment programs and positive role models.
- o Delay Sexual Initiation. Older adolescents are better able to make responsible decisions about sexuality and contraception. Interventions thought to have some potential for helping young adolescents postpone sexual activity included sex education and family life education, assertiveness and decision-making training, positive role models and responsible media treatment of sexuality.

- o Encourage Contraception. Although contraception alone cannot adequately reduce adolescent fertility, it is a necessary part of an overall strategy. Interventions to encourage contraceptive use among adolescents include sex education, contraceptive services and contraceptive advertising.

While there is still not a large body of evidence that any particular intervention--or combination of interventions--will work, the research and evaluation findings that are available do appear to support these recommendations.

An additional obstacle to consider is the fact that there will be some political and public resistance to expanding family planning services and education for adolescents. To be effective, such initiatives will become more visible and thus invite opposition, particularly at the local level. Education and services provided directly through Federally funded programs such as Title X are likely to generate fewer problems than educational efforts through local school systems. However, school systems have the benefit of immediate access to large numbers of youth and a number of strategies have been shown to be useful in managing local controversy: involving parents in the planning of school based services and encouraging them to act as advocates; forming a community advisory committee to guide the planning effort and requiring parental consent for students to receive services. (Marke and Marzke, 1993) In addition, Federal support for the development and testing of a variety of health and sexuality education curricula, as well as supplementary modules, will be necessary to ensure a sufficient pool of material that can be adapted to individual community needs, ensure a balanced and comprehensive treatment of the subject matter and temper local opposition.

The Department of Health and Human Services has already expressed renewed commitment to increase access to reproductive health education and services for all persons, including adolescents. There are compelling reasons, aside from preventing pregnancy and dependency, to do so. Prevention, diagnosis and treatment of STDs, including HIV, are of paramount importance. The prevalence of these diseases is rising and adolescents are disproportionately affected; expanded efforts in prevention education and screening for STD/HIV are long overdue. In addition, family planning clinics are often a point of entry into the health care system and remain the primary or only source of health care for low-income women and adolescents.

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INTEGRATED PREVENTION STRATEGIES

A welfare reform plan to "end welfare as we know it" should incorporate a prevention focus throughout--in the incentives to families and individuals within those families, in the services targeted at families, and in the expectations of those who receive welfare benefits and services. Traditionally, obligations and services to welfare families have focused on the designated payee and not on other family members. Yet, the circumstances of other family members often adversely affect the behaviors of and outcomes for the payee and set the stage for the intergenerational transfer of poverty.

In order to maximize the primary effects of any welfare reform strategy that emphasizes work as the avenue to self-sufficiency, the support services and obligations should extend to all family members and their varied needs. Not only should we expect a case head to work or engage in an employment-focused human capital endeavor while receiving benefits, but we should expect healthy and productive behaviors of other family members. Children should receive important health services; preschoolers should be in safe and preferably enriching day care or preschools; school age children should be in school and performing at grade level; adolescents should be knowledgeable about human sexuality and family planning; teenagers need sound career counseling and work experience opportunities.

These needs are frequently not fulfilled among children in welfare families, often with more general consequences for other family members. Sometimes the failures stem from characteristics and actions of the case head. But, seemingly more frequently, there are simply family and community dynamics that lead to compounding problems.

We propose that a key aspect of the Administration's prevention strategy be a broad and intensive focus on family support as part of the work-support programs instituted under welfare reform. Case managers should be assigned responsibility for families, not simply case heads. The circumstances and needs of all family members should be considered in determining the support services needs of case heads who are subject to time limits and offered employment-oriented services. Moreover, the case managers should be much more proactive than has historically been the case in addressing warning signs of longer term problems for children from welfare families and/or the confounding influences of problems associated with other family members.

Specific suggestions for preventive strategies that should be incorporated into the family support services provided under the reformed welfare system include the following:

- **Childhood Immunizations and Basic Health Care.** Case managers should ensure that all families are getting the necessary medical care for their children as well as themselves. This need not be a burdensome activity for case managers. Rather, case managers should be familiar with the health status of family members and initiate referrals if immunizations are not up to date or other needs are going unattended.
- **Child Care and Preschool.** It is critical that all children whose parents are in the work force or doing out-of-home activities preparatory to that have adequate child care during their parent's absence from the home. At the most basic level, when parents are uneasy with their care arrangements or when the arrangements are not supporting the parent's need to be out of the home, the case manager should ensure that the family receives necessary guidance and/or financial support to address this problem. As children approach school age, case

managers should ensure that families take full advantage of available enriched preschool options, playing the family advocate where necessary. Finally, in any case of special needs, case managers should get the family linked with appropriate health, education, and social support services.

- **School Performance.** School failure is an immediate sign that something is wrong at home, at school, or most likely both at home and in school. Currently, neither the schools nor the welfare system feels sufficiently accountable for school failures. The schools are blaming "dysfunctional" families and communities for their poor performance indicators; the welfare system and society more generally tend to blame the schools. We need to forge a partnership between the welfare system and the schools to support the needs of children and families so as to ensure educational success. A major step in this direction would be for the welfare system to take a more proactive interest in the educational success of poor children. The system also should help families create a more supportive home environment and attain maximum support through the schools, including possibly testing for learning differences, providing after school care and/or tutoring, working with parents to plan and follow through on an educational strategy for the student, and providing coordinating social services to the student and his/her family.

We should send a clear message to parents and children that dropping out of school is not acceptable. This could come in the form of reduced or no benefits for dropouts living in welfare households (as in the Wisconsin Learnfare program). However, a more constructive approach would be to have teen-focused JOBS-type services available for at-risk and dropout youth. Perhaps we should be less concerned about whether a youth is in or out of school at any point in time than that he/she is pursuing "productive activities," that might include employment or community service. If good-faith efforts on the part of the family support agency did not result in the child engaging in an approved activity, then we should consider a reduction in the family's welfare grant. (The current system sends different messages to in-school youth, dropout teen parents, and other dropouts.)

- **Discouraging ~~and~~ Risky Behaviors and Minimizing Their Consequences.** Adolescents are prone to "risky" behaviors, particularly drug and alcohol use and sex. Family support services should be available to help parents guide their children to avoid peer pressures to engage in such activities and to minimize the consequences if they do succumb to the peer pressure. For example, parents need to know how to talk with their children about sex and substance abuse and they need to recognize the signs of substance use and know how to respond constructively to them.

Adolescents need to have good instruction on human sexuality and family planning, as well as the perils of substance abuse. For those who get involved in drugs and/or alcohol abuse, treatment services and family support services are important.

We need to make more effective contraceptive methods available to those who will continue to be sexually active--contraceptive methods such as Norplant whose effectiveness is not contingent on follow through actions by the teenager. Those who become teenage parents need to be held accountable for the support of their children, but many also will need some transitional support in attaining the skills and employment that enable them to support their children.

Integrating these types of support services into the basic welfare reform plan is sensible from a prevention perspective, and consistent with maximizing the impact of the basic change in posture vis a vis the role of welfare in our society. There will be a consistent theme for all family members--welfare is a transitional support program made available to those who are trying to put their lives back together or get over temporary problems that impede the family's ability to support itself. This also has the advantage of being a relatively low-cost piece of the welfare reform plan as we are talking about mainly the marginal costs of the added case management services.

7. Interventions with pre-adolescents to increase educational and career aspirations and address school failures.

What Research Has Shown

Turning Points, the Carnegie Commission report on the Education of Young Adolescents, found that during early adolescence, youth enter a period of trial and error during which many first experiment with alcohol and drugs and risk permanent addiction. More and more adolescents 15 years old and youth are becoming sexually active, risking sexually transmitted diseases or pregnancy and the birth of unhealthy, low-birthweight babies. They live in urban neighborhoods and even in some rural towns where the stability of close-knit relationships is rare, and where the sense of community has eroded. The Commission considered middle grade schools to be a critical point in the lives of youth and had several recommendations that are key to improving educational expectations and performance and preventing youth from dropping out of school. The recommendations included the following strategies:

- **Create small communities for learning** such as schools-within-schools, students and teachers grouped together as teams, and small group advisories that ensure that every student is known well by at least one adult.
- **Improve academic performance through fostering the health and fitness** of young adolescents, by providing a health coordinator in every middle grade school [and] access to health care and counseling services.
- **Reengage families in the education of young adolescents** by giving families meaningful roles in school governance, communicating with families about the school program and student's progress, and offering families opportunities to support the learning process at home and at school.
- **Connect school with communities**, which together share responsibility for each middle grade student's success, through identifying service opportunities in the community, establishing partnerships and collaborations to ensure students' access to health and social services, and using community resources to enrich the instructional program and opportunities for constructive after-school activities.

Current Proposals and Other Possible Options

Department of Education discussions on the reauthorization of Chapter 1 of the Elementary and Secondary School Act have centered around a number of issues that share the concerns of the Carnegie report. The following is being proposed:

- **Expanding the school-wide approach in Chapter 1** by lowering the current 75 percent poverty threshold to 50 percent would allow more of the poorest schools to use Chapter 1 dollars, in combination with state and local funds, for comprehensive instructional reform.

- **Strengthening school/community connections by supporting:**

- **Greater parent involvement** by requiring schools to inform parents of state standards for what all children are expected to know and how their school's program is designed to help their children meet these standards; emphasizing parent training; and setting up parent/school agreements that identify the mutual responsibilities of parents and schools to help children succeed.

This proposal acknowledges that parents in Chapter 1 schools are less likely than other parents to encourage learning outside the school, such as visiting a museum or library or reading to a child. Parents want to be more involved, but often do not know how.

- **Integrated services** by asking school districts to show how Chapter 1 services are coordinated and integrated with educational, health, and social services funded through other sources, including Head Start; allowing Chapter 1 to provide resources to support the coordination of services; and requiring Chapter 1 funds to be used as the funding source of last resort for health screenings in high-poverty elementary schools at school entry and at a later grade.

This proposal recognizes the poorer health and the lower access to health services in high poverty schools. More than one-fifth of first graders in high-poverty schools are perceived by their teachers as having general health problems, almost twice the percentage in low-poverty schools. Principals in high-poverty schools are more than three times as likely as low-poverty schools to see physical conflict as a problem--learning is difficult when students fear for their safety.

- **Fostering better school-to-work transitions among older students by supporting career counselors and mentoring.**

In middle and high schools, Chapter 1 should support services such as career counseling and mentoring that have holding power for students and help motivate them in setting and attaining goals.

The Administration might consider additional options for linking education to welfare reform that reach out to children and their parents.

- **Addressing teen pregnancy.** Prevention or delay of teen pregnancy increases students' likelihood of staying in school and avoiding dependency on welfare.

- Encourage schools to assist on several fronts, including: providing a strong guidance and vocational education program; creating mentorships and peer-counseling programs; and developing a life skills curriculum that provides age-appropriate health and sexuality education. A life skills curriculum would include information on disease and pregnancy prevention, contraception and access to clinic services, and avoidance of substance abuse, as well as coping with substance abuse in the

household. Facilities for neglected or delinquent youth should also be a special focus of such efforts.

- Help pregnant teens and teen parents stay in or return to school. Providing them skills to become employed or to attend postsecondary institutions can help them avoid welfare. Access to schools must be made easier through providing transportation and child care facilities or access to child care.
- Encourage or require teen parents to participate in parenting classes. This is particularly important for young parents who may have little personal experience with a functioning family.
- **Providing children with enriching alternatives to the street.** Children in high poverty communities have access to fewer community programs that provide them with enriching opportunities during non-school hours.
 - Extend time in schools by providing slots for before and after school programs for children in high poverty schools or whose families are on AFDC. Study halls and after school programs could be set up in housing projects and in homeless shelters/centers.
- **Reaching out to parents to involve them in their children's schooling and their own education and providing families with social service support.**
 - Provide parents with opportunities to participate in programs such as Even Start where parents are taught how to interact with teachers and schools and how to support their children's education.
 - Require that parents receiving welfare attend parent teacher conferences. Token payments that would assist with transportation or child care could be provided. Sanctions could be applied to parents who refuse to participate; for example in Arkansas, parents are fined if they do not attend required conferences.
 - Encourage schools to reach out to students and families for whom school services are insufficient and refer them to appropriate social service agencies. This should be linked to reducing the case load of intensive case management programs designed to stabilize individual families.

Recommendations of Turning Points, the Carnegie report on the Education of Young Adolescents

- **Create small communities for learning** where stable, close, mutually respectful relationships with adults and peers are considered fundamental for intellectual development and personal growth. The key elements of these communities are schools-within-schools, students and teachers grouped together as teams, and small group advisories that ensure that every student is known well by at least one adult.
- **Teach a core academic program** that results in students who are literate, including in the sciences, and who know how to think critically, lead a healthy life, behave ethically, and assume the responsibilities of citizenship in a pluralistic society. Youth service to promote values for citizenship is an essential part of the core academic program.
- **Ensure success for all students through the elimination of tracking by achievement level** and promotion of cooperative learning, flexibility in arranging instructional time, and adequate resources (time, space, equipment, and materials) for teachers.
- **Empower teachers and administrators to make decisions about the experiences of middle grade students** through creative control by teachers over the instructional program linked to greater responsibilities for students' performance, governance committees that assist the principal in designing and coordinating school-wide programs, and autonomy and leadership within sub-schools or houses to create environments tailored to enhance the intellectual and emotional development of all youth.
- **Staff middle grade schools with teacher who are expert at teaching young adolescents** and how have been specially prepared for assignment to the middle grades.
- **Improve academic performance through fostering the health and fitness of young adolescents**, by providing a health coordinator in every middle grade school, access to health care and counseling services, and a health-promoting school environment.
- **Reengage families in the education of young adolescents** by giving families meaningful roles in school governance, communicating with families about the school program and student's progress, and offering families opportunities to support the learning process at home and at school.
- **Connect school with communities**, which together share responsibility for each middle grade student's success, through identifying service opportunities in the community, establishing partnerships and collaborations to ensure students' access to health and social services, and using community resources to enrich the instructional program and opportunities for constructive after-school activities.

OPERATIONAL DEFINITION OF TEENAGERS MOST AT-RISK OF TEENAGE PARENTING

GOAL: The goal is to have a procedure for identifying young people who are at greatest risk of becoming dependent on welfare or of having offspring whom they cannot support. Identification should be at the earliest point when effective prevention strategies can be implemented. Ideally, the procedure would identify efficiently a high percentage of those who will fall into dependency in the absence of intervention, would screen out those who would make it on their own, and would be implemented in a non-stigmatizing manner. Such a procedure should not increase the chances that the identified group would fall into dependency.

NOTE: This goal is broader than that outlined in the issue group memo of July 1, 1993. We have not restricted the goal to identifying those who will become teenage parents.

THE LITERATURE ON THE AT-RISK

Although there are two separate bodies of literature dealing with teenage motherhood and fatherhood, the research points to a common set of causes and consequences. Two interacting conditions precede welfare dependency for oneself and/or one's children: (1) having children; and (2) having limited or no source of financial support. Teenage parenting creates the former and greatly increases the odds of the latter by interfering with schooling and work, and jeopardizing supportive family relationships. The latter condition is precipitated by a variety of factors, among them the parent's limited education and earnings power.

Resnick and Burt (Resnick, et al., 1992) propose that "risk" for early adolescents is a function of a) negative antecedent conditions which create vulnerabilities and b) specific negative behaviors. This definition fits with the major findings regarding girls and boys at risk of becoming pregnant or fathering children early and out of wedlock. It suggests that these youth could be identified as high risk during early adolescence before conceiving any children. One

caveat to the predictors for teenage childbearing and fatherhood is that our ability to distinguish at risk adolescents with specific risk factors appears to be less precise for Blacks than for Whites or other minorities.

Poverty is a critical antecedent factor connected with being "at risk." Boys who become young absent fathers tend to come from low income families (Lerman, 1986). Disadvantaged teens are 3 to 4 times more likely to have children out of wedlock than teens who are not disadvantaged (Robinson, 1988). The family income for young white males who became absent fathers was 48% below the average for all white families; the equivalent percentages for Hispanics and Blacks are 35% and 20%, respectively. These young men were more likely to come from families that had been on welfare. The National Longitudinal Survey of Labor Force Participation data from 1979-1983 showed 27% of absent fathers had lived in families that receive welfare, compared to 8-9% of all other young men. Prior welfare involvement was much more of a predictor of absent fatherhood for whites and Hispanics than for Blacks (Lerman, 1986). Young black mothers who were on welfare at the time they became mothers are significantly more likely to be poor and dependent on welfare well into adulthood than those who had not been receiving welfare (Duncan and Hoffman, 1990).

Family environment is a similarly important antecedent factor. Robinson states that young fathers are more likely to be products of teenage parents, to have a sibling born out of wedlock, or to have a sibling who was an unwed parent. Marsiglio studied NLSY data and determined that males who had not lived with two parents at age 14 were overrepresented in the subsample of teenage fathers several years later. These fathers were more likely to have parents who had not completed high school. Likewise, teenage girls' sexual activity and fertility are strongly related to their family experiences. Girls who have grown up in mother-only families or who have sisters who have given birth out of wedlock, or who have lived in

families on welfare are more likely to become teen mothers (Hogan et al., 1985; Antel, 1988).

Resnick and Burt assert that poor school performance combined with poverty or a difficult family environment create high risk status for youth. School failure is both a factor related to increased incidence of teenage parenting and a major independent contributor to welfare dependence. Moreover, teenage parenting sometimes precipitates school failure among those who are "on the edge." Children who are failing in school frequently seek other avenues for gratification and success—including participation in social groups and behaviors that are related to teenage parenting. Sometimes the same factors that precipitate teenage parenting also lead to school failure. School failure also directly limits the potential of teenagers to support themselves and their children, as well as their access to employment and training services designed to enhance their employment skills. Adolescent girls who place little value on educational attainment and who do not do well in school are more likely to have intercourse at a young age and to use contraceptives either poorly or not at all. In one nationally representative survey of sophomore girls, teens with disciplinary problems in school, class-cutting and absenteeism were more likely to claim that they were or might be willing to bear a child outside of marriage (Abrahamse et al 1988). The younger and more disadvantaged women are when they have their first child, the less likely they are to graduate from high school (Upchurch, 1989).

Surveys of teen fathers have shown a high degree of correlation between poor school performance and early fatherhood. In Lerman's analysis of young absent fathers, he found that 40% were high school drop-outs (49% for Whites). More had been placed in remedial English classes, and they had lower math and verbal abilities than childless young men. In a study of fathers of children born to teenage mothers in Baltimore, 53% of white fathers had less than a 9th grade education -- only 12% had finished high school. For Blacks the levels

were much less dramatic though still low: 11% had less than a 9th grade education and only 49% had finished high school (Hardy, et al, 1989).

Initiation of sexual activity is a key risk behavior. Sixty-five percent (65%) of boys who become "absent fathers" started having sex before age 16 compared with 25% of childless teens. That was in 1983; all indications point to teens starting sex even earlier today. Of note is the fact that the median lag from first sex to fatherhood was 4.5 years, with a longer delay for Blacks. It appears that unlike girls, highest risk of conception for young males does not tend to be during the first months of sexual activity. This information can help to target early adolescent boys who are sexually active and intervene with pregnancy prevention programs before age 15 or 16. And it points out to us that programs promoting abstinence among boys must begin quite early in adolescence to have any effect among the population most at risk for becoming absent fathers. On the other hand, females who first have intercourse at age 15 or below have been found to be nearly twice as likely to get pregnant in the first 1 to 6 months of sexual activity as adolescents who wait until they are 18 or 19 to have intercourse. This points out the large risks of pregnancies among the age groups most likely to fall into welfare dependence. Knowledge and understanding of abstinence and contraceptives are key for young girls before they become sexually active.

APPROACH

Our preliminary approach is to consider targeting prevention services on all children who meet one of two criteria: (1) they exhibit significant problems in school; or (2) they are children in welfare households. This targeting strategy will capture the vast majority of those at risk of dependency--those who will become parents with limited sources of financial support. It also will capture others who may not become teenage parents, but who may consume large public expenditures for a variety of other reasons related to poor school performance or outcomes--essentially, those who are likely to have low levels of labor market attachment and/or low

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earnings power and thus consume significant employment and training resources, adult education services, and non-AFDC forms of public assistance, such as food stamps, EITC, child care subsidies, health care, and so forth.

This type of identification strategy presumes availability of a wide range of intervention services on an as-needed basis. Many of these could (and arguably should) be provided by the education system--services such as before and after school care, tutorial services, and social work services. Others may be services that are more appropriately part of the welfare system, such as family counseling, and health care. Other services might be provided through a variety of channels with welfare case managers or school staff who make appropriate referrals--for example, support and community groups, or substance abuse treatment. As children approach teenage years, they also should have family planning counseling and education, as well as access to services.

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Options for changing the opportunity and reward structure in federal education, employment, and training programs

1. Expand programs intended to increase opportunities for at-risk youth.

Many education, training, and employment programs provide services to at-risk youth. Among them are Chapter 1, TRIO programs, Vocational Education Opportunities - Disadvantaged Activities, Pell and other post-secondary education grants, Perkins loans, JTPA IIA, IIB, and Job Corps. In addition, the Administration's school-to-work initiatives, while generally not targeted especially to at-risk youth, will include them.

Pros

- * Expansion of current spending in this area would be the most obvious way to show increased commitment to greater opportunity for at-risk youth.
- * Generally, these programs do not serve all eligibles, so expansions could be justified.

Cons

- * Simply increasing spending will not change the reward structure. Teenage parents are eligible for all these programs. The balance of opportunities for adolescents who delay childbearing and for those who don't will remain largely unchanged.
- * There is virtually no good evidence that most of these programs prevent adolescent childbearing and subsequent welfare receipt.
- * Except for the Perkins loans, these programs represent discretionary spending subject to the BEA cap. Given other policy priorities, it will be difficult to achieve significant spending increases in these discretionary programs.

2. Make avoidance of adolescent parenthood a condition of all individual-based, federally funded human capital enhancement programs for secondary and post-secondary adolescents.

Currently, federally-funded education, training, and employment programs often set general conditions of eligibility in addition to need or preparation.

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Frequently, programs are available only to U.S. citizens, or to those without delinquent educational loan repayments. All programs could add as a condition of eligibility that applicants may not be adolescent parents, or, alternatively, unmarried adolescent parents.

Pros

- * A very broad policy would be the clearest and potentially most powerful.
- * In some ways, a very broad, uniform policy would be the easiest to administer.
- * This significant change to the reward structure could be achieved without increased spending.

Cons

- * Conditioning all federally funded aid on good behavior seems to leave no room for helping those who have made a mistake but want to turn their lives around.
- * Currently, these programs do not exclude applicants who have been convicted to crimes. (In fact, some programs and demonstrations have been aimed at this group specifically.) It would be perverse to provide aid to felons but exclude it to unmarried adolescent parents.
- * The policy would have an unfairly harsher effect on females than on males. It is still much easier to determine whether a female adolescent is an unmarried mother than whether a male adolescent is an unmarried father.
- * A policy that simply redirects current spending may be portrayed as a weak commitment and reform on the cheap.
- * Administration and auditing of the requirement will not be simple and could be expensive on a per-case basis, such that the cost of confirming eligibility would look too large in comparison to the cost of the intervention.
- * The policy could be criticized for encouraging pregnancy terminations.

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3. Make eligibility for only some appropriate and desirable programs (such as school-to-work, TRIO, residential Job Corps and JTPA II-A OJT, and II-B Summer Youth Employment), or set-asides within some programs, conditioned on avoiding adolescent parenthood.

Pros

- * Setting good behavior conditions on a few programs offering expensive and desirable opportunities would target the most significant opportunities the federal government funds to the group we want to influence. This could represent a noticeable change to the reward structure in communities with concentrations of at-risk youth.
- * Other education and training programs would remain available to adolescent parents who were trying to get back on track.

Cons

- * This more targeted policy would have the same differential impact on females as the more general policy.
 - * A policy that simply redirects current spending may be portrayed as a weak commitment and reform on the cheap.
 - * The motivating power of the policy would be undermined when the limited number of these opportunities falls short of the demand.
 - * The policy could be criticized for encouraging pregnancy terminations.
4. In several demonstration neighborhoods with very high levels of school drop-outs and adolescent pregnancies, promise post-secondary education assistance for those with college ambitions, and guarantee appropriate training and then a public job or hiring preference to some with low educational achievement. Condition these offers on avoiding adolescent parenthood.

Pros

- * A guarantee of post-secondary opportunity, either education and training or a guaranteed job, may be needed to motivate students who have low educational achievement and weak attachment to regular secondary

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school. Under current budget constraints, a real guarantee initiative would probably have to be limited to several pilot sites at first.

- * Concentrating on those who are not college bound and are not likely to benefit from advanced technical skills training is appropriate in light of the profile of adolescents most at-risk.
- * Focussing resources on a few test sites would permit more controlled integration of opportunity policies with welfare policies and crime policies. The coordination of all three elements may be a necessary if any are going to have an effect.

Cons

- * A demonstration strategy may be criticized as an inadequate response to a problem of this size and importance.
 - * We have no experience in successful implementation of initiatives that aim to change the economy and social structure of distressed neighborhoods.
 - * Some education guarantee programs appear to be having trouble keeping eligible students on track. It appears that support services are needed as well.
 - * Demonstrations imply evaluations. It will be practically impossible to perform a rigorous evaluation of a program that involves such fundamental changes of a whole neighborhood along so many dimensions.
5. Provide hiring, training, or wage subsidies to private-for-profit firms, private-non-profit or public agencies that will make job guarantees to junior-high and high-school students who graduate, don't commit crimes, and don't become adolescent parents.

Pros

- * The most effective form of increasing opportunity, especially for those who would not benefit from college or training in advanced technical skills, would be a regular job.

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- * Subsidies for employers who hire at-risk youth can be more economical than creation of jobs for that target group.
- * A subsidy would represent a major new program and make the Administration's commitment evident. It could be distinguished from the Targeted Jobs Tax Credit by the level of subsidy, new childbearing condition of eligibility, and inclusion of public-sector employers who do not benefit from the current federal tax credit program.

Cons

- * The program would be inefficient. Many at-risk youth find employment successfully without such subsidies.
- * Employer subsidies for hiring and training disadvantaged employees have typically had low uptake. The Targeted Jobs Tax Credit has not been shown to increase employment among the target groups.
- * Depending on how the subsidies were funded, additional spending under the BEA discretionary cap or additional mandatory cuts or revenue increases would be needed.
- * Increasingly, research and experience with employment and training programs for the most disadvantaged find that getting a job in the first place is not hard, even in socially isolated and impoverished neighborhoods. Rather, the problem is keeping the job. This proposal would not help that.

Job Corps

Currently, the Job Corps serves approximately 60,000 new enrollees each year. Thirty-eight percent of enrollees are females. Female youth with children can enroll in the Job Corps, and a small number of centers have child care programs on-site. Other sites have developed off-site child care programs, and non-residential slots are also available for young women with children. Roughly 20 percent of the women who enter the Job Corps have dependents, and 4 percent of the males who enroll have dependents. Forty-eight percent of the women who enroll in non-residential slots have dependents, as compared to 13 percent of the women who enroll in residential centers. A 50 percent expansion of the Job Corps is planned by the year 2000.

School-to-Work Initiative

The Administration will introduce legislation later this summer for a major school-to-work initiative. The legislation will provide for joint DOL and Department of Education funding for grants to restructure high schools to better link schools to the workplace. The program is aimed at increasing the aspirations and long-term career opportunities for non-college youth.

Youth Fair Chance

Youth Fair Chance is a new DOL initiative aimed at high-poverty inner-city neighborhoods and rural areas. The program concentrates resources into neighborhoods restricted to a population of 25,000 or less and with a poverty rate of over 30 percent. All urban neighborhoods reached by this program will be predominantly black or Hispanic. The program combines school-to-work initiatives with a variety of interventions involving sports and recreation, local colleges, community development, and job training. Currently, there are 11 pilot sites, and \$50 million has been appropriated for the program in the recent supplemental legislation to the FY 1993 budget. The idea of the program is to saturate an area with all types of positive interventions, and to turn negative peer pressure into positive peer pressure. Reducing teen parenting is one of the goals of the program.

#7. OPTIONS FOR PREVENTING TEEN PARENTHOOD

The disappointing results of the STEP demonstration suggest that no one intervention, in isolation, is going to dramatically reduce teen pregnancy. However, because the costs of welfare are so high for families started by unwed teenagers, it is worth a lot of time and money to attempt to change cultural patterns of adolescent childbearing. Research on both young males and females suggest that youth who are doing well in school and have aspirations for college are markedly less likely to become teen parents. Research also suggests much higher rates of teen parenthood in high-poverty urban neighborhoods.

What may be needed is a series of concentrated interventions--started when children are small--to boost their educational achievement and aspirations for college. To increase the cost-effectiveness of such programs, funding could be restricted to areas of 30 percent or higher poverty. This would exclusively target the funds to minority inner-city areas and rural areas which would also be minority except in the case of Appalachia. People who work with youth indicate that there is no more powerful force operating on youth than peer pressure, and the goal would be to introduce enough positive interventions into communities so as to turn peer pressure from negative to positive. New federal programs in such a prevention initiative could be based on the following models:

- o **New Beginnings** is a program aimed at increasing the involvement of parents in the education of children in elementary school. It is based in part on James Comer's ideas for increasing parent and community involvement in elementary schools.
- o **LA's Best** is a comprehensive after-school program operated in inner-city elementary schools. Students receive a variety of positive experiences, including tutoring, sports and recreation, art instruction, and field trips to various cultural events.
- o **I Know I Can--Start Early** is a program that starts in the sixth grade to get children interested in the idea of going to college. Parents are also involved. During summers, children work and study on college campuses.
- o **Middle School Restructuring** has been identified by the Carnegie Council on Adolescent Development as fundamental to efforts to reform urban schools. Typically, students move from small elementary schools where they receive much attention to large, impersonal middle schools. In their **Turning Points** report, the Carnegie Council lists a number of recommendations for improving middle schools, including breaking up large schools into "houses" or "schools within schools".
- o **Sports Programs** have been very effective in some of DOL's Youth Fair Chance pilot sites in expanding the involvement of youth in positive activities. There is much room in most inner-city neighborhoods for expanded sports leagues in baseball, softball, soccer, football, and basketball. Such leagues are needed for both children and youth, and for both boys and girls.
- o **CollegeBound** is a public/private collaboration started in Baltimore in which minority youth attending high school are assisted in applying for and enrolling in college. Counselors make sure that students take the PSAT and SAT tests on time, apply for financial aid, and fill out applications for colleges. Counselors also take students on trips to colleges, and parents are also involved. Counselors also work with local colleges to help youth get accepted

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and receive financial aid. Also, "last dollar" financial aid is promised to make up the difference between financial aid available and what the student needs to attend college. Combined, the **I Know I Can** and **CollegeBound** programs can be the equivalent of the more expensive **I Have a Dream** program. The promise of college financial aid is important to the **I Have A Dream** model, but perhaps just as important is the follow-through to make sure youth are making good progress in school and then apply to college. Combined **I Know I Can** and **CollegeBound** programs can provide both the "last dollar" guarantee and the follow-through.

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Prevention as a theme in welfare and child support reform

The prevention issue group likely will have recommendations about the kinds of programs that first come to mind in this area - pregnancy and drop-out prevention programs. It also probably will have recommendations that aim to increase educational and employment opportunities that are available to teenage males and females most at-risk of fathering or bearing children before they are ready to support them.

In addition, the issue group views prevention as a policy theme that could run through several elements of the welfare reform package taking shape. So a significant part of the mission of the issue group is to state how the prevention theme could be incorporated in welfare and child support policies, and to make the case that it should. These prevention objectives can then be balanced against other possibly competing goals and objectives in the design of welfare and child support reform.

Assumptions underlying a prevention theme are consistent with the widely held view that a principal factor contributing to risky behavior by adolescents is their perception that they have little to lose if they don't delay becoming parents and little to gain if they do. This view does not entail a belief that adolescents make choices about sexual activity and contraception based upon fine estimates of the present value of future income streams. But it does assume that, if the desirability of the options at-risk youth see before them could be changed, their childbearing behavior would change as well. More would be cautious about fathering or bearing children if the futures they associated with those outcomes appeared relatively less desirable than the futures they associated with alternatives. Such a change in the relative desirability of these futures might be brought about by:

- a) making welfare less attractive, not by further jeopardizing the well-being of dependent children, but by making the responsibilities that parents bear more transparent;
- b) increasing the opportunities at-risk youth enjoy when they avoid becoming parents (in comparison to opportunities they enjoy when they do not).

The prevention issue group has identified several elements in the welfare and child support reform package that seem most consequential for enforcing parental responsibilities and establishing relative opportunities. At this point, the issue group has not settled on particular policy options to recommend. However, the bearing of the prevention perspective on key issues can be sketched.

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First is establishment of paternity and an order to pay child support. In the most recent year for which we have data, about two-thirds of all teenagers giving birth were unmarried. More than nine-in-ten black teenagers giving birth were unmarried. Currently, an unmarried adolescent father can be relatively confident that he will not be forced to provide regular child support. It is estimated that paternity is established in about one-third of all cases where children are born to unmarried mothers.¹ Only about 24 percent of unmarried mothers have court orders for child support, and only about 73 percent of these receive any of the support they are due.²

The perspective of prevention suggests that, if the partners of at-risk teenaged women were more certain that they would be required to support any children they fathered, they might modify their risk-taking behavior to avoid that possibility. For child support, the prevention theme stresses that the fathers of the children of teenage mothers should not be on the bottom of the priority lists of child support enforcement agencies just because they often have little income in the years soon after the birth. From the prevention perspective, it would be best if youth at-risk of becoming unmarried fathers were certain that they would be required to support their children.

Second is the nature of any welfare time-limit and post-transitional employment. A time-limit is a powerful way to convey the message that mothers have a responsibility to support their children through employment. If the time-limit were uniform and exemptions few, at-risk female youth would be certain of a very different life on welfare than in the past. If the time limit were complicated, varying by many factors, with many exemptions, the transitional period could end up looking a lot like welfare as we know it.

In theory, a post-transitional safety net that amounted to work-for-welfare would constitute an added cost of assistance for mothers. It could be a large cost, relative to the current program, in leisure time or time with children. On the other hand, a post-transitional job that was much more desirable, such as regular public employment, might make welfare more attractive than it is now, and possibly even more attractive than other employment expectations of the most disadvantaged at-risk youth.

Third is the nature of education, training, and employment opportunities made available to those who do not delay fathering or bearing children. Due to the low average educational attainment of teenage mothers, and their likelihood of long

¹ Testimony of David Ellwood before the Human Resources Subcommittee, June 10, 1993, Table VI.

² Gordon H. Lester, Child Support and Alimony: 1989, Bureau of the Census, 1991, P-60, No.173, Table C.

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welfare careers, intensive and expensive interventions to increase their earnings potential have been recommended. More frequently now, the same kinds of arguments are being made for intensive interventions for absent fathers. However, to the extent that an alternative high-school, or skills training, or community college is made available to those who do not avoid fathering or bearing a child, the opportunity costs of these behaviors are lowered.

These prevention angles on program policies all assume that welfare, child support, and human capital enhancement programs can influence antecedent behavior, such as initiation of sexual activity, contraception practices, and pregnancy terminations. We have little of the kind of knowledge we would need to make an estimate of whether these policies would have measurable prevention effects. No strong effects of the level of welfare benefits on fertility have been found.³ However, much of the analysis of this issue has been based on cross-state variation in AFDC benefits, which is not an obviously appropriate basis on which to predict the effects of a time-limit on eligibility for AFDC, followed by work relief or some other universal work requirement.

In general, our theoretical and empirical understanding of the entry effects of welfare policies is not as developed as our understanding of exit effects. However, a recent analysis of the potential for entry effects in the JOBS program estimated that generous education and training opportunities could draw significant numbers onto the rolls, while a very rigorous work requirement could have a significant preventive impact.⁴

This analysis did not concentrate on fertility impacts, nor, explicitly, on the behavior of adolescents. Predictions of behavioral impacts of policy changes on these particular behaviors of this target group are especially difficult. Analysis has shown that models of pure economic choice do not explain current childbearing behavior of teenage mothers very well.⁵

On balance, research does not assure us that incorporating a prevention theme into welfare and child support reform would actually prevent many adolescents from entering the welfare rolls. On the other hand, welfare time-limits and a certainty of child support orders for unmarried fathers would represent very big changes in the message welfare and child support programs send to adolescents regarding the

³ Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," Journal of Economic Literature, March 1992, pp.27-31.

⁴ Robert Moffitt, "The Effect of Welfare Training Programs on the Welfare Caseload," Report to the US Dept of Health and Human Services, (August, 1992).

⁵ David Ellwood, "Understanding Dependency, Choices, Confidence, or Culture?" US Dept of Health and Human Services, (Washington, DC, 1987). pp.93-4.

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responsibilities of fathering and bearing children. We don't have research on the effects of changes of this magnitude. It is not unreasonable to hope that such large changes in the signals welfare and child support send about responsibilities may have behavioral impacts, especially if complemented by increases in alternative opportunities.

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Summary of a Neighborhood Approach to Welfare Prevention

The goal of our proposal would be to demonstrate and rigorously evaluate a series of interventions committed to changing the circumstances of youth to a degree that would be large, meaningful and readily discernable to the members of that community. An additional intent would be to create a "success story" proving it is possible to reverse the adverse trends for youth and, as a consequence, initiate a growing chain of successes. At the same time, the demonstrations could provide information for administrators and policy-makers for improved efforts.

These efforts would encompass the principles presented below. They would use existing federal, state and local programs where possible, and available private resources, coordinating and focusing their use in a deliberate, manner. The demonstration would follow an intervention strategy put together from the best expertise available, and it would follow a period of consensus building with involved parties.

Principles

Our goal should be a prevention effort which produces results which are large enough to be apparent to society.

Early child-bearing and other problem behaviors are interrelated and strongly influenced by the general life-experience associated with poverty. Any prevention effort which fails to deal with those factors is likely to have an impact that is minor when compared to the extent of the problem.

In the end, the decision to avoid non-constructive behaviors is an internal one which stems from personal life-experience. Therefore, changing the circumstances in which people live and consequently how they view themselves is needed to change the decisions young people make in regard to their lives. It also helps make them more responsive to more specific interventions.

Consequently, attention must be made to the circumstances in which youth grow and live in any effort which hopes to have results that are large enough to be meaningful to the community. This effort should address the broad spectrum of areas associated with a healthy community: economic opportunity, safety, health, education, etc.

The factors which influence youths' behavior are powerful, often long-term, and pervasive. To be most effective, interventions should have similar characteristics. This suggests that efforts to change the environment should be concentrated and focused so that they achieve a sufficient size or "critical mass" needed to change day

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to day experiences, decisions and behaviors. Therefore, resources should not be dissipated.

In regard to support and intervention services it means that they should be non-categorical, integrated and delivered with a personal dimension, such as through mentoring, in-home visits, and personal counseling/case-management. There is evidence that the interest and concern of the intervention provider can add much to the effectiveness of the intervention.

Existing programs and expenditures may be sufficient if properly coordinated. One objective of this task group should be to at least initiate an ongoing effort to more effectively coordinate and utilize the resources that are already being devoted to helping communities and youth.

In addition to changing neighborhoods, our proposal would include directly support youth and families. In addition to collaborations among existing institutions such as schools, health systems, and justice systems, special programs to strengthen families and provide direct services to family members, particularly adolescents, must be provided.

In addition to programs which intervene in crises or are aimed at dealing with specific problems, we would emphasize programs which develop life skills and improve self-image and life course expectations through personal development. Programs for parents and families and programs specifically focused on adolescents would be required.

Family support programs which link families with other families and local institutions can lessen isolation, increase coping skills, provide emotional support, and enhance parenting skills as well as provide opportunities for increased or improved labor market participation. The current Head Start family support component is an example of how programs can include a range of activities to improve the emotional and economic well-being of parents and encourage child development. Existing models can be used as a basis for expanding or improving services to families with adolescents.

Research evidence indicates that peer support with adult guidance can help address the many negative influences faced by adolescents. As with their parents, adolescents have been shown to benefit from programs which reduce isolation, increase self-esteem and assertiveness, and improve decision making and problem solving. Opportunities to create and maintain positive relationships with adults and peers has been shown to be important.

DISCUSSION¹

Since the purpose of this panel is welfare prevention through avoidance of too-early child-bearing, our recommendation depends on acceptance of the proposition that poverty and the conditions of the poverty and that behavior are interrelated. This connection is well supported by research including that reported in the paper prepared for this panel, Operational Definition of Teenagers most at-Risk of Teenage Parenting.

The suggested approach attaches great importance to what William J. Wilson refers to the "tangle of pathology in the inner city", wherein residents have become increasingly isolated from mainstream patterns of behavior." The National Research Council (NRC) holds that "Settings are important not only for the "first chances" they provide, but also for "second chances," those opportunities to redeem past failures or inappropriate choices. Such second chances are clearly less available when settings are in disarray, limited in resources, and subject to continuing pressure toward illegitimate activities."

Others have noted the contagion effect, wherein non-productive attitudes and behaviors reinforce themselves and spread. Given the existence of the fertile ground for these problems James Wilson say that "the abrupt rise in the number of young persons has had an exponential effect on the rate of certain social problem" there may be a "critical mass" of young persons in a community such that when which when reached "a self-sustaining chain reaction is set off that creates an explosive increase in the amount of crime, teenage pregnancy, drug addiction, and welfare dependency." [p 38; James Q. Wilson, Thinking about Crime, (New York: Basic Books, 1975, pp.16,17)

This is similar to what Julius Wilson refers to this as a "concentration effect." He notes that "The social transforation of the inner city has resulted in a disproportionate concentration of the most disadvantaged ... creating a social milieu so significantly different from the environment that existed in these communities several decades ago."... "The residents of these areas, whether women and children of welfare families or aggressive treat criminals have become increasingly socially isolated from mainstream patterns of behavior. These concentration effects include the constraints and opportunities in neighborhoods in which the population is overwhelmingly socially disadvantaged--constraints and opportunities that include the kinds of ecological niches

¹ Unfortunately, time pressure did not permit strict adherence to accepted citation of references.

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that the residents of these neighborhoods occupy in terms of access to jobs and job networks... involvement in quality schools, and exposure to conventional role models."

Others note that "Once a neighborhood begins to substantially lose its economic base, however, other factors come into play. Adults and young people become socially isolated, losing the kind of networks and self- or group identification that support customary behavior... (Wilson, 1987; Fernandez and Harris, 1990; Harrell and Peterson, 1992; Crane, 1991) Social institutions-schools, the social welfare system, and the criminal justice system, tend to anticipate failure, shame, and hopelessness (Williams and Kornblum, 1985) Parents also lose some degree of hope and have fears form the well-being of themselves and their children (National Commission on Children, 1991). Employers also respond: people living in underclass neighborhoods, even with the same backgrounds and skill are hired less often than those in other neighborhoods..."(Kirschenman and Neckermanm, 1991) [See attachment A for a further discussion of research on neighborhood effects]

We know of know direct evaluation of the effect of a comprehensive change in environment or setting has on families and youth. However, Chicago's Gautreaux program, designed to counter the legal problems of housing segregation, offers a limited experiment of the effects on ghetto residents of changing their environment. The program provides for applicants to be moved with government subsidies from public housing to better housing in the city itself or in the suburbs. Measuring certain crucial behavioral responses to these moves provides the data for a natural experiment where the "control" group moves from largely segregated public housing to better quality but still segregated private housing within the city, while the "experimental" group moves from segregated public housing to integrated private housing in the suburbs. Program participants were not purposefully selected for city or suburban housing; when a house became available, the next person on the list was contacted and offered the shelter. The two groups are very similar in socio-demographic characteristics.

While there are some minor problems with the study and results should be accepted with cautionary warnings, James E. Rosenbaum's evaluation of the program produces some interesting results. Compared with city movers, significantly more suburban movers were employed, even after controls, though their average pay and hours worked were about the same. Children in the Gautreaux program also showed positive effects. Suburban movers' children are more likely than city movers' children to be in school, in college-track programs, in four-year colleges, in jobs, in better-paying jobs, and in jobs with benefits. Rosenbaum concludes, "Just by moving people and without providing additional services, this program has uncovered capabilities of these low-

income people that were not evident in the city." Interview comments from participants also turned up very positive attitudes about the suburban moves. One said: "[Living in the suburbs] made me feel that I'm worth something. I can do anything I want to do if I get up and try it." The Gautreaux Program provides an opportunity to see some clear-cut positive effects of changing the environment of low-income people.

PROS

- A. This approach has the potential for societally significant reductions in early child-bearing and other behaviors which put youth at risk.

By dealing with the general influences that promote at-risk behavior a broad approach such as this has the greatest potential for large impacts. Just as the great gains in public health came from eliminating the sources of infection from the environment rather than dealing with the disease or symptoms, we believe that a necessary part of an intervention which would have societally significant results is to deal with the environment which promotes at-risk behaviors. Essentially the approach we recommend differs from more narrow interventions only in that it includes steps designed to deal with the "negative antecedent conditions which create vulnerabilities" in the words of Resnick and Burt, by reducing those antecedent conditions and consequently the "vulnerabilities" before they occur.

- B. This general approach does not preclude inclusion of specific pregnancy prevention interventions.

While envisioning a demonstration which is attempting to reduce the root causes for the adoption of risky behavior we recognize the need for more specific programs that attempt to deal directly with those behaviors. Adoption of this option for a general approach does not preclude adoption of any or all of the more specific approaches recommended by the panel.

- C. A general approach intended to improve the background or settings in which youth live may help the more specific interventions be successful.

Just as training seems to be more effective when it is felt by the person to be relevant to his or her life, specific pregnancy prevention interventions should be more effective when youth are prepared by their experiences to be receptive to the message. Being told there is an opportunity cost associated with early child-bearing will be more effective when the target of the message believes or feels that it is true. This belief

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needs to be inculcated by their life experience and consequently their attitudes about themselves.

D. The demonstration need not involve additional cost.

There are a great deal of resources being expended on the components of this demonstration now. We see the need not as additional resources but better coordination and, most importantly, focusing of resources so that they have the weight sufficient to make a difference in a neighborhood or community. We would use available programs and new initiatives, like enterprise zones, where possible as foundations for action. We would take advantage, where possible, of similar community development demonstrations planned or in progress. However, if the general approach were implemented more widely following a favorable demonstration phase, additional resources might be needed.

D. It is likely that foundations and other private entities would be interested in forming a coalition with the federal government for this initiative.

Many major foundations are interested in at-risk youth and community development. They have already begun to think in terms of an approach that is comprehensive across a number of crucial services, that integrates and coordinates these crucial services, and that saturates a local area with the kinds of services the area needs for a real difference in living standards and future development. The Cleveland Community-Building Initiative is an example of an approach similar to the one we are advocating.

E. This approach would be in line with the growing consensus regarding what is needed to deal with the problem of at-risk youth.

Although not necessarily endorsing their specific recommendations, our proposal is in line with the National Research Council's central position about the overwhelming importance of the environment. "Our decision to focus on settings reflects the panels appreciation of the profound influence that context has on adolescent behavior and youth ... The lack of attention to settings has resulted in concentration on individual adolescent behaviors and categorical programs such as teenage pregnancy prevention...Because these problems are interrelated and have common predictors that are largely environmental, more comprehensive integrated approaches are needed to reduce the exposure of children and adolescents to high-risk settings... The categorical focus on individual behaviors has been largely ineffective because behavior is the result of individual and group interactions with the environment. Sustained attention paid to reducing the risks generated by these settings is virtually the pre condition for

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achieving widespread reductions in health - and life compromising behaviors."

William I. Wilson expressed a similar view in his book The Truly Disadvantaged. " In the history of inquiry about the development of youth, the focus has traditionally been on individuals rather than context, and the latter has generally been ignored. This is a good time to right the balance, to extend understanding, to acknowledge and elaborate the pervasive influence of contexts or settings. Second, the role a setting plays must actually be seen as twofold, and thus, doubly important: it influences the development of a person over time, through experience, socialization, and exposure in various contexts, and it also interacts with that person at any given time in influencing the specific behavior that occurs. Third, it is evident that there are large variations in rates or levels of health - and life-compromising experiences and behavior associated with different contexts, especially for differences that relate to the level of poverty (for example, rates of school failure and dropout, unprotected sexual intercourse, aggression and violence, and drug and alcohol use)...policy efforts to prevent or ameliorate bad outcomes (such as school failure) are clearly more feasible and more likely to be efficient when targeted toward changing contexts or settings-using what is known broadly as a public health approach-than when targeted at changing individuals on a one-by-one basis."

CONS

- A. Because it is ambitious, this approach would be a challenge to organize and put into place, and execute.
- B. It would require the willing participation of many federal agencies.
- C. As compared to less complex, more narrowly focused options, this option will be less readily seen as a welfare prevention intervention.
- D. Areas of program overlap would have to be dealt with, possibly through legislation.
- E. Although costs of the demonstration might be met through better coordination of existing resources, if successful, wide replication could involve substantial new expenditures.

Implementation Plan

There are various approaches all incorporating, organization of a public/private initiative to plan a demonstration, pool resources, select one or more demonstration

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sites, manage and monitor, evaluate. One specific variation:

- 1) Develop a public/private partnership with leading foundations with an interest in the problems of at-risk youth and community development.
- 2) Commission papers that: pull together what is known or hypothesized about the root causes of the behavior of at-risk youth; based on that understanding presents one or more comprehensive intervention strategies that could be implemented in a community or neighborhood; identify existing resources that could be used to meet the specified intervention needs; and identify additional resources or interventions that would be needed, if any.
- 3) Distribute papers to a panel of appropriate policy makers, administrators, community leaders and academic experts.
- 4) Convene a conference with the goal of approaching or reaching agreement on a demonstration intervention and agreement to coordinate resources as dictated by the intervention design.
- 5) Establish a cooperative decision making and coordinating entity of panel members or representatives to select demonstration sites, and to implement, evaluate and administer (or monitor) the demonstration.
- 6) Maintain interest and momentum by involving the original panel as advisors on a continuing basis.

Funds for planning and organizing the demonstration could come from a variety of sources, including Section 1110 Social Services R&D funding. Attachment C provides a preliminary list of some of the program resources which could be included in the demonstration communities' intervention.

ATTACHMENT A

**Neighborhood Effects and Impacts on Adolescent Behavior
Such As School Drop-out And Pregnancy**

Few studies have been conducted in the area of neighborhood effects, and data and methodology have varied greatly among these studies. Research in this area has been recent and has stemmed from the reopening of dialogue regarding an "underclass". Defining the term "underclass" has been controversial among scholars and has increased the difficulties in operationalizing definitions for the study of neighborhood effects. William Julius Wilson (1987), one of the first scholars to reexamine the issue, defines underclass as the "heterogeneous grouping of families and individuals who are outside the mainstream of the American occupational system. Included in this group are individuals who lack training and skills and either experience long-term unemployment or are not members of the labor force, individuals who are engaged in street crime and other forms of aberrant behavior, and families that experience long-term spells of poverty and/or welfare dependency."

Theorists on the topic of underclass have been placed into two categories: structuralists, such as Wilson and Douglas Massey, and behavioralists, such as Isabel Sawhill and Erol Ricketts (Prosser, 1991). Structuralists theorize the problem of an underclass as derived from societal forces that limit opportunity for neighborhood residents (Prosser, 1991). Behavioralists associate the causes of neighborhood deterioration to individual and group behaviors (Prosser, 1991). Within these two divergent theories, definition of an underclass can be categorized in three ways: (1) a geographic concentration of individuals with similar characteristics; (2) the prevalence of behaviors in a given area; and (3) the persistence of these behaviors over time and across generations (Prosser, 1991).

In efforts to empirically test hypotheses on the underclass and their neighborhoods, the operationalization of definitions has varied due in part to these different theoretical approaches. Definitions for testing have been arbitrary and to some extent dictated by available data (Prosser, 1991). As a result, estimates on the prevalence of underclass persons or neighborhoods remain dramatically different from study to study.

By focusing on the controversy of underclass definitions and prevalence, many of the approaches to the study of underclass neighborhoods have emphasized the determinants and analysis of underclass, spacial concentration of underclass behaviors, and intergenerational transmission of underclass behaviors. A list of key theorists and researchers in these areas is included in the appendix. While these issues are relevant to the understanding of neighborhood culture, these studies do not directly address the effects a neighborhood has on an individual's behavior.

Relatively few studies have focused specifically on the influences and effects of neighborhoods. Theoretical studies include: Douglas Wolf, Rebecca Clark, and Vicki Freedman (1990) who conducted a study to examine three different theoretical models

for the purpose of specifying a model as the basis for empirical study; and, Jorge Martinez-Vazquez and Rubin Saposnik (1990) who analyzed a contagion model of the underclass.

The existing empirical studies have applied and tested some of the theoretical models mentioned above. Jonathan Crane (1991) tested his epidemic theory of neighborhood effect on teen childbearing and school drop out. Mary Corcoran, Roger Gordon, Deborah Laren, and Gray Solon (1989) studied the effects of family and community background on men's economic status. Most recently, Rebecca Clark (1991) applied a model of the epidemic theory to test the neighborhood influence on school drop out for male youth. A final study conducted by Mary Corcoran examined three theoretical models including the epidemic theory to test the impact of family and neighborhood factors and will be available in February, 1993 (Prosser, 1991).

Theoretical Studies

Modeling the Growth of the Underclass: Neighborhood Effects and Neighborhood Dynamics

Wolf et al. (1990) focused their study on three theoretical models. Prior to specifying these models, Wolf et al. (1990) addressed numerous definitional and conceptual issues critical to the development of empirical neighborhood studies. These issues were raised through a review of the literature available in 1990 which, as previously indicated, was not focused directly on the hypothesis of a neighborhood effect. Wolf et al. (1990) infer that such research had not been conducted due to the lack of theoretical models designed to reflect the complex and interactional relationship between an individual and their neighborhood.

The issues raised emphasize the process of measurement. Measurement issues such as the definition and prevalence of an underclass have already been mentioned, however, Wolf et al. (1990) also point out that "it is difficult to describe the underclass as a whole and simultaneously to identify the individuals who constitute it". Another measurement issue related to definition involves the arbitrary line between behaviors that are persistent versus temporary in nature. The multidimensional aspects of underclass definitions has also been cited as a measurement issue leading Christopher Jencks (Wolf et al., 1990) to define three distinct categories of underclass: an economic, a moral, and an educational underclass.

In addition to these definitional issues of measurement, Wolf et al (1990) identify three criteria areas effecting measurement. These areas include income-based, behavioral, and location-based criteria. In identifying income-based measure for studies, researchers have argued that the underclass and their neighborhoods should be distinguished from the poor and low-income areas. The official poverty threshold is the most widely accepted and utilized income-based measurement, however, it does not reflect the duration or the social context of poverty (eg. some graduate students,

farmers, and long-term AFDC recipients would all be classified together), and therefore, does not serve to differentiate among poor and underclass groups (Wolf et al., 1990).

Behavioral criteria seem to most clearly distinguish the poor from the underclass by the manner in which the behaviors are not in conformity with mainstream social norms. Examples of such behaviors include high incidence of crime, teen pregnancy, child abuse, joblessness, dependency on AFDC, substance abuse and others. As noted, however, such behaviors may not necessarily apply to a group and an individual within the group simultaneously.

Location-based criteria focus on "poverty areas" or spatial concentration of poverty (Wolf et al., 1990). Census tracts or zip code data are often used to determine high concentrations of poverty. Some researchers such as Sawhill and Ricketts have applied other criteria to their location-based measurements to define underclass neighborhoods. Sawhill and Ricketts (Wolf et al., 1990) examined census tracts that had high incidence of school drop-out, single parenthood, welfare dependency, and male joblessness. While location-based criteria may effectively identify underclass areas, assumption or generalizations regarding individual neighborhood residents can not be made. Additionally, the definitional issues again become critical when studying "neighborhoods". A census tract or zip code may only arbitrarily define areas based on geography without taking into account the social context or culture that transcends geographic boundaries.

As a result of these research issues, Wolf et al. (1990) state that current research has not been able to establish a strong basis for a "theoretically relevant neighborhood attribute to include in a model of any given outcome". Wolf et al. (1990) argue that these problems complicate the process of model specification, however, without a theoretical base for which to empirically test neighborhood effects, research in this area can not move forward with any direction.

With the acknowledgement of these definitional and conceptual issues, Wolf et al. (1990) approach the development of three theoretical models by examining the outcome of high school dropout behavior. These models are based on the basic premise that the decision to drop out of school is influenced by two factors: (1) the number of choices available at the point of decision and, (2) the nature of the preferences the student uses to rank these choices. By applying these basic factors, Wolf et al. developed a regression formula for the general study of high school dropout independent of neighborhood effects. In addition to this equation, three distinct mechanisms by which neighborhoods effect school drop out are applied. The three mechanisms influence by (1) serving as a resource or reference group for information, (2) influencing the preferences of an individual, and (3) effecting the rewards or sanctions of various choices. Wolf et al. proposed these mechanisms as

three distinct models referred to as the information model, the preference model, and the reward and sanctions model.

The information model hypothesizes that an individual bases behavioral choices and preferences on the information provided by his/her frame of reference, namely, the residents in the neighborhood. Wolf et al. (1990) note that the issue of identifying theoretically relevant attributes to specify a neighborhood is not problematic in this particular model since data describing the high school drop out rate can be clearly specified.

The preference model hypothesizes that the manner in which an individual ranks his/her preferences of available choices is influenced by the observable behaviors of the residents in the neighborhood. Wolf et al. (1990) relate this model as most like the contagion or epidemic models. The benefit of this model is the acknowledgement that concrete financial cost-benefits are not the only influences on behavior. The idea that the observable behaviors of one's reference group can influence the desirability of various outcomes is further supported by Moffitt's (Wolf et al., 1990) model of welfare stigma by the notion that stigma can become an influential factor in an individual's ranking of preferences and the degree of stigma is determined by that individual's reference group. Wolf et al. (1990) point out that a complication of this model is, however, that it does not take into account the degree or the duration of exposure to these reference group behaviors. Similarly, other problems with the preference model relate to the changing environment and the question of how malleable one's preferences are to the environment. Once preferences are formed, some theorists argue that it is not clear the degree to which preferences can be influenced or changed (Wolf et al., 1990). Child development studies on the relationship between environment and nature as well as studies on resiliency currently indicate that preferences and tendencies are quite malleable, especially in children (see earlier memo on child development).

The reward and sanctions model hypothesizes that an individual's behaviors are influenced by the rewards and sanctions imposed on that individual by their reference group (eg. peer pressure). In consideration of peer pressure, the individual does not change their preferences (as in the preference model) but act according to the pressure of their peer group. One of the difficulties with this model involves establishing an empirical specification distinct from that of the preference model (ie., capturing the sometimes subtle difference between influence and pressure).

Of these three models, Wolf et al. (1990) identify the information model as the most scientifically rigorous model and describe the other two models as weak because they do not have a "clear-cut relation to model specification". Wolf et al. (1990) also point out that these three models are not mutually exclusive and that empirical models need to be developed to take into account more than one statistically distinct mechanism. Another key element missing from these models is the question of how a neighborhood becomes "bad" initially (Wolf et al., 1990).

Many explanations for the cause of neighborhood decline have been provided by theorists. Wolf et al. (1990) identify the mechanisms of "exogenous shock" and selective migration as the most common, however, the dynamic relationship between a neighborhood and the residents through the course of change is less emphasized yet considered an important mechanism for explaining neighborhood declines.

Wolf et al. (1990) describe the interdependent or interactional effects that a neighborhood and the residents have on each other as a "process of dynamic evolution" while also referring to the exchange as "cross-sectional in that current decisions made in a neighborhood can effect the individual decisions of residents in the future. Wolf et al. (1990) see the ideal model as taking these dynamic and interactional mechanisms into account yet raise concerns again about the method of defining or quantifying such quality-oriented issues. They credit Crane with most closely addressing this "quality" issue in a neighborhood effects model. Relating to these model specification concerns, Wolf et al. (1990) raise the questions that since "models are typically estimated using data representing a distribution of neighborhood quality, are the implications of such a model uniform across neighborhoods differentiated according to quality?" and "do the findings from a cross-sectional relationship representing the effects of neighborhoods on individuals, have sensible or even plausible implications when embedded in the dynamics of neighborhood change?".

Wolf et al. (190) conclude their theoretical analysis by saying:

It does seem reasonable to conclude that models in which neighborhood attributes influence their individual residents' behavior may have subtle, possibly unexpected implications for the feedback of individual behaviors onto the neighborhood contexts of future decision makers. Models which average over a broad range of neighborhood attributes may not be uniformly applicable to that range for purposes of prediction and forecasting. Hidden interactions and unexplored nonlinearities may undo the researcher's attempts to marry the cross-sectional and dynamic perspectives in a model of reciprocal associations between neighborhood attributes and the behavior of the people that inhabit them.

"A Contagion Model of Underclass Neighborhoods"

Martinez-Vasquez and Saposnik (1990) approach the theoretical study of neighborhood effects by examining Wilson's hypotheses and Crane's epidemic theory regarding the cause of underclass neighborhoods and the notion that the concentration of this underclass, itself, can increase underclass behaviors. Martinez-Vasquez and Saposnik apply these assumptions and propose a basic behavioral model and both analytical and simulation solutions for the growth of underclass in a single neighborhood.

In specifying a model, several basic assumptions are addressed. These assumptions begin with the definition of neighborhood. Martinez-Vasquez and Saposnik (1990)

emphasize that a neighborhood is defined more by its function than by a geographical or physical characteristics, however, they contend that the less communication and education of the individuals in the neighborhood, the more overlap there will be between functional and physical neighborhoods. Other factors considered influential include net income available for purchase of ordinary market commodities and a complex commodity representing "social standing". Both the individual's contribution to social standing and the contribution by other members for the individual are taken into consideration as well as the price or opportunity cost for such contributions. Personal interactions and feedback among members of the neighborhood are taken into account through the inclusion of social standing in the model formula. Social standing is also assumed to be a characteristic of other factors such as the relative degree of isolation from other communities. Therefore, changing of behavior as well as amount of certain behaviors in the community.

Martinez-Vasquez and Saposnik (1990) attempt to take into account various reasons for which underclass behaviors begin in a neighborhood such as "a generalized increase in unemployment or the suburbanization of jobs, changes in the reward structure of criminal activity, changes in educational quality and achievements, or changes in government policies, such as welfare programs". The main objective, however, is to address the issue of growth of underclass behaviors in a neighborhood. In efforts to achieve this objective, Martinez-Vasquez and Saposnik generally account for both the underclass and "conventional" migration-flow of the neighborhood.

Two main limitations are addressed regarding this approach. First, the approach does not account for the possibility that underclass behavior could grow and then reach a stable level. Second, the level of aggregation in the equations do not allow insight into the various aspects of an individual's decision making process. Another issue, although one that Martinez-Vasquez and Saposnik (1990) attempt to address is that the analytical approach to migration flow is accounted for in a rather mechanical manner. They apply a simulation approach to try to explicitly incorporate the dynamic complexities of neighborhood concentration. The assumptions are similar to the assumptions previously discussed except that in this simulation, it is assumed that the individual will compare the value of their various choices following four different action patterns. These four actions involve the individual choosing to: (1) remain in the neighborhood and participate in conventional behavior, (2) remain in the neighborhood and participate in underclass behaviors, (3) move to another neighborhood and participate in conventional behavior, or (4) move and participate in underclass behavior.

In summary, the critical point of this theoretical model involves distinguishing between conditions that cause underclass behaviors and the mechanism that cause the concentration of these behaviors, itself, to be an influential factor in further growth (Martinez-Vasquez and Saposnik, 1990). Also, the consideration of the dynamic and interactional factors between the individual and the neighborhood that include income opportunities, social standing, and opportunity costs becomes critical while assessing

both the susceptibility and frequency of contact to underclass behavior.

Empirical Studies

"The Epidemic Theory of Ghettos and Neighborhood Effects on Dropping Out and Teenage Childbearing"

Jonathon Crane developed his epidemic theory of neighborhood effects in 1988 and has been a pioneer of this theoretical approach by arguing that the underclass behavior grows much like an infectious disease (Martinez-Vasquez and Saposnik, 1990) in that as a neighborhood declines in quality, sharp increases will occur in the probability for individuals to display underclass behaviors (Crane, 1991). The basic assumption underlying his model is that these "infectious" behaviors are spread through peer influence. Crane looks for critical levels of incidence. He argues that the incidence of problems "move toward equilibrium levels" but once the incidence reaches a critical point, Crane contends the spread of incidence will "explode".

A community's susceptibility to the spread of behaviors is based on two conditions: (1) the degree of risk factors that individual residents present, and (2) their susceptibility to peer influence (Crane, 1991). Through his review of the literature, Crane finds that adolescent boys, particularly poor urban boys, are more susceptible to peer pressure to participate in antisocial behaviors. In addition, his theory argues that a pattern of incidence is found in these susceptible communities. Crane contends that two distributions occur with the first distribution including those neighborhoods which are poor but have not experienced a epidemic of the problem. The second distribution then includes all the "underclass" neighborhoods. Within these two distributions, Crane argues also that social problems will not increase or decline at a constant rate but will increase significantly at the bottom of the distributions as a result of higher prevalence.

In terms of methodology, Crane (1991) utilized a data set not often used. This data set, which defined geographic units as neighborhoods and provided characteristics regarding the individuals, was collected by the Census Bureau in 1970 and made publicly available through the Public Use Microdata Samples (PUMS). The neighborhoods in this data collection were not identified but fifty-five neighborhood indices were provided with an individual's record.

For the purpose of study, Crane used geographic keys associated with households to determine geographic units proportional in size to census tracts (approximately 4,000-5,000 people). No socioeconomic or demographic data was used to define these areas. Crane examined only teenagers living with their parents. Since Crane's model assumed one-way causality and "made no adjustment for a simultaneity effect, Crane could not control for the effects of teenagers who moved out of their parents home. Although this exclusion is a weakness in the model, Crane asserts that estimates would be biased upward. Teenagers were also excluded on the basis of two data-cleaning

criteria and those with inconsistencies were left out. The total number of 16-19 year olds was 113,997 (56,233 females). After exclusions, the sample size for the study totaled 92,512 for school drop out and 44,466 females for childbearing analysis. Crane uses a piecewise linear logit model to estimate the neighborhoods effects. The index Crane uses for defining neighborhood quality is the percentage of workers in the neighborhood who held professional or managerial jobs (% High Status).

Crane found the pattern of neighborhood effects to support his epidemic prediction in both black and white groups. A sharp jump in probabilities at the lowest range of the distributions. Hispanics revealed a pattern of linearity. For blacks, the very worst neighborhood was more than 50 times greater than the effect in the middle (The ratio of the steep slope to the flat slope is 52.7). For whites, the neighborhood effect was 15 times greater below the critical point. For hispanics, the pattern of increase was approximately linear across the entire distribution.

In a sub-group of the largest cities compared to "other places", Crane found the level, the absolute level, and the rate of increase in drop out probabilities below the key point to be greater within the largest cities. Among the sub-groups of black males and females, black males showed a neighborhood effect of almost 38 times greater below the key point than above it.

For teenage childbearing, evidence of an epidemic was also seen for sub-groups of black females, black females in large cities, white females, and white females in large cities. However, the increases in childbearing probabilities were not significant. Crane argues that the pattern of results could have been sensitive to the scale of measurement and that the nonlinear pattern suggests a neighborhood effect did occur in the worst neighborhoods. Crane ties these effects to social interaction within the neighborhoods because of the strikingly sharp increases in probabilities and the fact that these increases occur at approximately the same place on the distribution.

Crane (1991) discusses, at length, the many biases related to this study including sampling bias, measurement error, specification error and endogeneity bias. However, he emphasizes the effort to structure the analysis so that estimates in the overall neighborhood effect and the relative size of the effect at the bottom would be biased downwards. The exclusion of certain teenagers from the study is identified as the most important biasing factor. Since these excluded teenagers would be disproportionately school dropouts and teen parents, Crane argues that the net bias would be downward, and therefore, results would be probably conservative. Despite the numerous potential bias, Crane holds that unless the net bias was upward and very large in underclass neighborhood specifically, "the basic findings of sharp increases at the bottom of the neighborhood distributions in the largest cities is valid".

In conclusion, Crane (1991) calls for more research on the epidemic theory. He states that the data needs to be updates, additional models need to be formulated, and alternatives theories for explaining the results need to be developed and tested. While acknowledging that the research is too limited at this time to make policy

recommendations, Crane identifies two policy interventions suggested by the epidemic theory. First, neighborhoods that have already been effected by an epidemic should be given intensive services and have large investments of resources in efforts to raise the equilibrium level above the key point on the distribution. If the equilibrium level is not raised above this key point, intervention efforts and resources are lost. From this implication, Crane contends that the best approach to resources allocation given the current situation of limited resources is to concentrate resources in fewer places. Once low equilibrium levels are attained, resources should then be transferred to other neighborhoods since maintenance of the low equilibrium would be rather inexpensive. Secondly, Crane argues for prevention of epidemics by targeting the at-risk neighborhoods to keep the equilibrium levels low. Resources for prevention, then, should be spread out across all the at-risk neighborhoods rather than concentrated.

"Effects of Family and Community Background On Men's Economic Status"

Mary Corcoran et al. (1989) conducted their study using intergenerational data from the Panel Study of Income Dynamics (PSID) to investigate the effects of family and community background on men's economic status. The PSID is a longitudinal study that began in 1968 with approximately 5,000 families and family members have been reinterviewed every year since 1968 (Corcoran et al., 1989). The sample that Corcoran et al. uses in their empirical analysis includes men in 644 families who were between the ages of 25 and 32 by 1983. Communities are determined using zip code data for the men during childhood. Corcoran et al. use a regression equation to analyze the data with family income and community background as the outcome measures. The life cycle stage of the individual and general time effects such as the business cycle are controlled for. Background variables include a set of income variables involving family income and family "needs" (ie. welfare receipt, unemployment rate), race, and parents' education.

Using coefficient estimates, results showed that strong negative associations occurred between all outcome variables and the proportion of years the family of origin was below the poverty-related needs standard. Substantial economic disadvantages were found among black men, men from lower-economic families, and men from more welfare-dependent families and communities (Corcoran et al., 1989). Neither parental education nor community background appeared to effect economic status, however, Corcoran et al. argue that the findings for community background may have been related to a grossness of geographic definition for which community variables were measured. Other potential biases included concerns regarding measurement bias and the possible omission of variables. Corcoran et al. concede that these problems preclude formulating any causal inferences from the associations found.

ATTACHMENT B

CLEVELAND, NEW FUTURES

The report describing the program notes that poverty in Cleveland neighborhoods was increasing so fast that it threatened to engulf three-quarters of the city by 2000.

"Traditional piecemeal ways of addressing the plight of the poor had failed to alter significantly this increasingly grim picture. What was needed was a larger strategy, a long term, comprehensive plan that would maximize the impact of available resources and create new synergies -- by linking promising programs in an integrated approach to addressing the needs of urban families."

A comprehensive study of Cleveland poverty neighborhoods had shown a common thread: deteriorating social infrastructure. The study went on, as many have, to point out the relationship between deteriorating social infrastructure in communities to lack of support for family structure and a consequent deterioration of both family and community. This analysis suggested that treating dysfunctional family symptoms was to fight a losing battle, and that another approach was appropriate: focusing resources on community development wherein poor families resided, what they call a Community-Building Initiative.

Five principles guided the Community-Building Initiative:

1. Cleveland's plan must be comprehensive and integrated.
2. Strategies should be tailored to individual neighborhoods.
3. An individual community's strategy should begin with an inventory of its assets, not of its deficits.
4. The local communities themselves must be actively involved in shaping strategies and choices.
5. This approach should be tested over the next few years in three pilot areas and carefully evaluated before any attempt to transplant it to other Cleveland neighborhoods.

What this means is a comprehensive program that includes:

1. Investment in the targeted community's jobs base, housing, commercial reinvestment, and all those community development areas having to do with the economic base.
2. Education, starting with those in whose care children will develop, starting early, and running throughout the life cycle.
3. Family development through the fostering of healthy family relationships and

the repair of broken family relationships.

4. Health care as a key to school and work performance in include rehabilitative services that will help disadvantaged or disabled individuals integrate into the community's economic network.
5. Human resource development through job training and other forms of training designed to connect individuals to opportunities and community needs. This also includes enhancement of critical family and parenting skills that produce children ready to learn and develop in school and later in the labor force.

The Cleveland approach emphasizes use of programs that have already been proven effective in other contexts, and development of programs tailor-made to handle specific problems in the targeted areas. It recognizes the plight of many poor urban neighborhoods that have been passed over as the economy that once used to recruit from their labor markets has moved on to the suburbs. A prime goal of the approach is to reconnect poor neighborhoods to the mainstream of the regional economy.

It is obvious from the ambitious goals of the Cleveland Community Building Initiative that virtually every community resource has a role to play in the overall scheme: health, education, welfare, housing, law enforcement, community development, economics, commerce, and many others, requiring a coordination and integration effort made up of a number of Federal, State, and local government and private forces. Clearly, the mechanisms for that coordination have yet to be developed.

A series of projects in Bridgeport, Dayton, Little Rock, Pittsburgh, and Savannah, sponsored by the Annie E. Casey Foundation, and called New Futures, is based on similar philosophy, but is more specifically focused on the needs and problems of youth. New Futures works on the assumptions (among others) that the problems and risks experienced by disadvantaged children are interrelated and must be addressed as such, and that educational, health, and other services are fragmented and do not fully meet the multiple needs of many children, and therefore must be truly and effectively integrated.

New Futures rejects the notion that nothing can be done about the plight of poor children's academic and later work performance because there are too many factors beyond the control of the relevant institutions in the community. New Futures is very clear that "the failure of community institutions to do what they can do to equip youngsters with the expectations, opportunities, supports, and incentives they need to become aspiring, responsible and successful adults" is the proper focus of solutions to the problems of poor youth. Community institutions "have real power to create environments that actually shape the values, self-esteem, expectations and behavior of at-risk youth, in spite of persisting social and economic variables. In a sense, the New Futures strategy presumes that the shapers of community institutions have a choice. Institutions can either reinforce social and economic disadvantage by communicating

(through their policy, practices, and structures) low expectations, negative labeling, cultural bias, and limited opportunity for those at risk. Or they can address these risk factors by creating countervailing environments based on the premise that all young people are able and are 'entitled' to succeed."

Since fragmentation of services is a major cause of ineffective youth service, New Futures places a great deal of emphasis on requiring that "participating communities organize and maintain a multi-sector, politically empowered 'collaborative' to initially plan and then to oversee the city's at-risk youth reform agenda" and then, through case management, to encourage staff "to integrate multiple resources, supports and services to more fully address individual needs."

It would seem that there is a growing consensus, at least among foundations interested in the problems of poverty, that it is time to try an approach to that involves a geographically targeted, comprehensive, coordinated and integrated set of services designed to empower residents of targeted areas to assume responsibility for their lives.

ATTACHMENT C

There are very many Federal programs alone (not counting State and local ones), covering a host of areas that could be appropriately targeted on a local community in a demonstration such as the one contemplated in this paper. One of the critical planning phases of the contemplated approach would be to obtain a fuller and more detailed understanding of these resources and beginning to plan how they could be coordinated most effectively to accomplish the goals of the demonstration.

Some relevant programs administered in the Administration for Families and Children (ACF) are listed below. In addition to the familiar programs such as Aid-to-Families-With-Dependent-Children (AFDC), Child Support Enforcement, Job Opportunities and Basic Skills Training Program (JOBS), Head Start, Low Income Home Energy Assistance, and Child Care, Community Services Block Grants, Foster Care and Adoption Assistance, there is an extensive list of ACF service programs that give an idea of the diversity of needs covered:

- Comprehensive Child Development Centers
- Child Development Scholarships
- Child Abuse State Grants
- Child Abuse Discretionary Activities
- Child Abuse Challenge Grants
- Consolidated Runaway and Homeless Youth Program
- Runaway and Homeless Youth
- Transitional Living for Homeless Youth
- Dependent Care Planning and Development Grants
- Temporary Child Care and Crisis Nurseries
- Child Welfare Services
- Child Welfare Training
- Adoption Opportunities
- Drug Education and Prevention for Runaway and Homeless Youth
- Anti-Drug Programs for Youth Gangs
- Abandoned Infants Assistance Program
- Emergency Child Abuse Prevention - Substance Abuse
- Family Violence
- Developmental Disabilities State Grants
- Developmental Disabilities Protection and Advocacy

Outside of ACF there are also a large number of relevant programs such as the food programs of the Food and Nutrition Service, health programs covering a number of diseases and pathological conditions (both preventive and basic care), education and training programs for all ages, housing programs that provide basic shelter, encourage home ownership, improve basic housing stock of a community, programs that improve the area's economic and physical infrastructure, its law enforcement capability and transportation facilities. The list is long and varied and nowhere near complete. This

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July 28, 1993

treatment of the resources available for a community is meant to illustrate a little of the range that could be drawn upon for demonstration purposes.

Issue Group Papers - as of 10-15-93

Make Work Pay

1. Make Work Pay paper series (10-3-93) with cover letter - (replaces the Working Outline Make Work Pay Paper - Work, Welfare and Well-being)
2. EITC Options paper (10-4-93 memo from Janet Holtzblatt)

Child Care

1. Child Care in Welfare Reform - Summary (10-1-93)
2. Child Care in Welfare Reform (10-1-93)
3. Welfare Reform and Child Care Quality (9-29-93) - replaces Goal 3 - Assure Quality Child Care
4. Training Welfare Recipients to be Child Care Workers - Executive Summary (9-29-93)
5. Training Welfare Recipients to be Child Care Workers
6. **Child Care and Welfare Reform - Challenges and Choices** (8-20-93) - referenced in 10-14-93 memo on the Working Paper series

Child Support

1. Child Support Issue Paper - (9-22-93) - draft circulated 10-14-93 as part of the Working Paper series
2. Child Support Assurance - September 1993 - (replaces Child Support Enforcement and Assurance - July 1993 draft)
3. **Hypothetical Child Support Enforcement and Assurance Proposal** - (10-6-93 revised draft)

Noncustodial Parents

1. Noncustodial Fathers and Child Support Reform (10-6-93)
2. National Child Support Collections Potential: Implications for Welfare Reform - (8-23-93)
3. Noncustodial Parents Issue Group Proposal - (10-1-93)
4. **Work and Noncustodial Fathers** - U.S. Department of Labor (July 1993)

5. Services to Noncustodial Parents (August 1993)
6. Financial Incentives for Non-Custodial Parents (September 1993)

Transitional Assistance

1. package dated 10-1-93 - chapter II of this paper was referenced in 10-14-93 memo on the Working Paper series

Post-Transitional Work

1. Work and Welfare - U.S. Department of Labor (10-1-93)
2. Description of One Option (10-1-93)
3. Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research (September 1993)
4. Costs of Employment-Support Services Under Welfare Reform (10-2-93)
5. Issues in the Administration of Welfare Reform Work Sites - U.S. Department of Labor (10-6-93)

Economy and Private Sector Jobs

1. Executive Summary of Findings and Recommendations
2. Draft Options Memo (9-30-93)

Program Simplification

Prevention

1. Prevention Options - (10-15-93)

Data Estimation and Modeling

1. The Dynamics of Welfare Use: Implications for Implementing a Time-Limited Welfare System - draft circulated 9-29-93 as part of the Working Paper series.

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ISSUE GROUP WORK PRODUCTS
(includes internal and publishable papers)

1. Make Work Pay

Group leader: Isaac Shapiro (219-8271) and Tom Corbett
(690-6805)

Working Group Liaison: David Ellwood

- (1) Paper summarizing the relationship between welfare, work, and the (economic) well-being of families with children. This general paper can serve as general introduction to the working paper series -- October 1;
- (2) A detailed examination of the work and welfare dynamic -- October 8;
- (3) An exhaustive menu of options on strategies for enhancing income of the working poor -- October 1;

An appendix to 3 (or a separate document 3 a) will include a special menu of options for increasing use of the EITC and for increasing use of the advanced payment option -- October 1;

- (4) A more limited set of likely policy and program options/recommendations with special emphasis on AEITC (advanced EITC payment option) and Work Support options for providing supportive services and opportunities to assist low-income workers to remain in the labor force -- October 8.

2. Child Care

Group Leader: Mark Ragan (401-9200)

Working Group Liaison: Mary Jo Bane

- (1) Background paper on child care issues and revised cost estimates -- complete;
- (2) Options paper on child care in welfare reform -- October 1
- (3) Analysis of and possible proposal regarding training AFDC recipients to be child care providers -- October 1;
- (4) Estimates of possible expenditures based on current child care usage patterns under title IV-A child care programs -- ?.

3. Child Support Enforcement and Insurance

Group Leader: Paul Legler (690-6172)

Working Group Liaison: Wendell Primus

- (1) Background papers on child support enforcement topics, including funding and incentives, child support assurance, reporting and auditing, and training -- October 1;
- (2) Issue paper on child support -- complete;
- (3) Options paper/proposal on child support enforcement -- complete, subject to revision.
- (4) Evaluation of automated systems capability and use of information technology under proposed reform -- October 1.

4. Noncustodial Parents

Group Leader: Ron Mincy (690-5880)

Working Group Liaison: Wendell Primus

- (1) Paper on current financial incentives for payment of child support -- October 1;
- (2) Paper on services issues for non-custodial fathers -- October 1;
- (3) Paper on estimated number and characteristics of non-custodial parents likely to need employment services -- October 1;
- (4) Values and Practices for a Non-custodial Parents Policy -- October 1;
- (5) Paper on ability to pay -- October 1;
- (6) Background paper -- October 8.

5. Post Transitional Work

Group Leaders: Cantu Pian (690-7148) and Ray Uhalde (219-8660)

Working Group Liaison: Wendell Primus

- (1a) Background paper on public service employment (DOL paper "Work and Welfare") -- complete;
- (1b) Background paper on administrative issues -- October 1;
- (2) Paper on cost estimates -- October 1;
- (3) Options paper -- October 1;

- (4) Report on CWEP and other work experience programs: costs, implementation, impacts -- draft complete;
- (5) Memo on occupations where biggest future job growth is expected -- October 1.

6. Transitional Support

Group Leaders: Ann Burek (401-4528) and Mary Ann Higgins (401-9294)

Working Group Liaison: Mary Jo Bane

- (1) Background paper on what we've learned about employment, education and training programs -- October 1;
- (2) Paper summarizing the framework and basic principles on which we would build a transitional support system -- October 1;
- (3) Issue and option papers -- October 1
 - (a) the educational, training and support services system (this paper includes the prototypes we previously discussed)
 - (b) the rules for a time-limited program
 - (c) early intervention strategies (this paper incorporates the options previously discussed)
 - (d) policies for the disabled
 - (e) policies for teen parents
 - (f) policies for AFDC-UP cases
 - (g) sanction policies;
- (4) Paper presenting and documenting unit cost information for program components -- October 1;
- (5) Transmittal memo explaining what this all represents -- October 1.

7. Economy and Private Sector Jobs

Group Leader: Paul Dimond (456-2800)

Working Group Liaison: Bruce Reed

- (1) Paper incorporating background information on the national economy, group recommendations on some "low cost" ideas, suggestions for demonstrations on some State options, some ideas that were not included in the recommendations for lack of consensus, and appendices -- complete;
- (2) Re-packaged background paper and options paper -- October 1.

8. Welfare Simplification

Group Leader/Working Group Liaison: Kathi Way (456-7777)

9. Prevention/Intact Families

Group Leader: Richard Bavier (395-3844)

Working Group Liaison: Isabel Sawhill

- (1) Options paper with recommendations on prevention -- October 1;
- (2) Background paper -- October 8.

10. Modeling

Group Leaders: Don Oellerich (690-5880)

Working Group Liaison: David Ellwood

- (1) Paper on what is known about the dynamics of welfare dependency -- October 1;
- (2) Model of short-term welfare dynamics (MPR) -- November 1.

September 19, 1993
Economy and Jobs Issue Group
DRAFT OPTIONS MEMO FOR ECONOMY AND JOBS ISSUE GROUP

Executive Overview: How can we increase reliance on private sector work rather than welfare to support children?

I. Labor Market Findings.

(Presented in brief with background papers in appendices.)

- A. **Jobs:** Employment is plentiful, low paying and short-lived.
- B. **Employees:** Welfare recipients fall into three groups by employability--those who work, those who can work, and those who are unable to work.
- C. **Job Creation:** We don't know how to implement employer incentives.
- D. **Training:** Training has moderate, but measurable effects.
- E. **Fertility and Marriage:** Dependency on welfare instead of work is highly correlated with early and unmarried childbirth.
- F. **Maximum Return on Investment:** We don't know where to intervene in cycle: children, youth or adults?

II. Consensus Proposal: Convert AFDC to a REEMPLOYMENT system instead of an employment substitute.

A. Family Re-employment System Overview.

- 1) Get the parents who are not expected to work out of the program.
- 2) Get the parents who already work out of the program.
- 3) Create a highly structured, two-year re-employment program for the remaining parents on AFDC.
- 4) For parents who do not meet structured expectations or who become pregnant, personal choices should be significantly narrowed but remain job-focused.
- 5) For parents who reach the time-limit, there will be temporary jobs.
- 6) What happens after parents reach the time-limit and finish their temporary job opportunity was a point of contention within the group.

B. National Investments in a Family Re-employment System.

- 1) **Earned Income Supplements:**
 - (i) Earned Income Tax Credit Expansion.
 - (ii) Unemployment Insurance for Low Income Families
 - (iii) Healthcare Reform.
 - (iv) Improvements in Paternity and Child Support Enforcement.

- 2) **National Opportunity Initiatives:**
 - (i) Improve current education, employment and training portfolio.
 - (ii) Create structured two-year system with a drop-out program.
 - (iii) Create public-private jobs consortia.
 - (iv) Raise asset limits for means tested assistance.
 - (v) Teach banking, budgeting and saving skills.
 - (vi) Increase access to networks of employment & education opportunity.
 - (vii) Initiate a national campaign to explain the new social compact.

- 3) **Demonstration and Evaluation of Additional Investment Choices:**
 - (i) Job creation and employment incentives.
 - (ii) Savings and empowerment strategies.
 - (iii) Improving access to good-job networks.
 - (iv) Team-based approaches.
 - (v) Incentives for social workers.

III. Differing views: Basic Support for Children

Framework for options: As a yardstick for policy goals, we recommend creating an objective, state-by-state measure of the cost of supporting a child. Welfare Reform ought to introduce a new compact explaining which portion of basic child support is the public responsibility and for how long.

Option 1: Pay less than the full support cost after two years.

Option 2: Pay the full support level, but only intermittently.

Option 3: Pay the full amount indefinitely, but require work.

Option 4: Allow consolidation of means-tested funding before and after time-limit.

Option 5: Allow states to apply for Options 1, 2, 3, or 4 and receive approval for an implementation plan.

IV. Appendices

A. Background Papers

B. Options Presented to the Group

I. Findings in Brief

The following findings are highlights from the background papers produced by the Economy and Jobs Issue group. Please refer to the background papers in the appendices for more detailed research and analysis.

a) EMPLOYMENT IS PLENTIFUL, LOW PAYING, AND SHORT-LIVED.

The sort of women currently dependent on welfare have a reasonably good chance of finding employment over the next ten years. The Bureau of Labor Statistics projects the creation of 24.6 million new jobs between 1990 and 2005. Some of the largest job growth projections are in occupations that tend to hire women and minorities. In addition to new jobs, old jobs will open up due to workforce attrition. In 1991, 5.8 million women found jobs who were not working one year earlier. When job changers are added to job finders, the number of new job openings is even larger: approximately 15 million women found or changed jobs in 1991. Not only will there be numerous openings, but less expansion of the labor force is projected over the next decade relative to our experience over the last few decades. Labor force expansion in the last decade has included entry of one million women and one million immigrants on average each year. In the next decade, average annual labor force expansion is expected to decline by about 500,000 to a million people. Thus, adding one to three million welfare recipients to the labor force over the next five years is not an unprecedented change.

- **Conclusion #1:** No woman could claim to be job ready, willing to work, but unable to find a job for 5 or 10 years continuously. Long-term welfare receipt is not an overall unemployment problem. Jobs requiring low-skill labor are generally available.

However, these jobs are likely to be low-paying and short-lived. A recent study by the Institute of Women's Policy Research¹ found that over a two-year period, women who mixed welfare and work held an average of 1.7 jobs at an average hourly pay rate of \$4.39 (in 1990 dollars). Their longest jobs lasted 46 weeks on average. They spent an average of 16 weeks on layoff or looking for work during a two-year period. Only 11% receive unemployment insurance, which 50% exhaust. Unemployment rates for single women who maintain families averaged 10.4% between 1980 and 1987; for women in poverty the rate is likely to be higher.²

- **Conclusion #2:** Although parents of welfare-dependent children (especially mothers) can get jobs, these jobs will have low pay. Without the EITC, healthcare and possibly an increase in minimum wages, the prospect of finding a job which will support

¹ Spalter-Roth, Roberta and Beverly Burr. *Supporting Work: The Relationship Between Employment Opportunities and Financial and Other Support Programs* (testimony presented at the public forum of the Working Group on Welfare Reform, Family Support and Independence). Institute for Women's Policy Research, August 19, 1993.

² Statistical Abstract of the United States, 1992. Note that 10% unemployment in the general population would trigger extended benefits up to 40 or 50 weeks.

children is much bleaker.

● **Conclusion #3:** High turnover in the jobs available to women points to a piece of the welfare reform effort that is missing: we need a form of unemployment insurance for impoverished parents which will reduce the risks of working. So far, no serious work has been undertaken to propose extending the UI system for parents or reforming the AFDC system to provide brief periods of support based on work history.

● **Conclusion #4:** For the men who might marry these women or pay child support, prospects are also mixed. Over the last thirty years black male joblessness has been roughly double the level of white male joblessness and varied more with the business cycle.³ Blue collar jobs with good pay which had previously been available to men without a college education are rapidly shrinking due to productivity improvements, global competition, and the use of technology with higher skill requirements. Low-skill men will therefore have to compete with women for service and administrative jobs and have to upgrade their skills significantly. A welfare policy which relies on support for children through child support payments must address the issue that many fathers also face the turbulence of low-paying, short-term jobs.

b) **WELFARE RECIPIENTS FALL INTO THREE GROUPS BY EMPLOYABILITY.**

From the perspective of private sector work, there are three types of welfare recipients: Those who society does not expect to work; those who already work; and those who may be able to work, but do not. Although estimates vary considerably regarding the size of these three groups, the rough average lies at about one third in each group. Let's examine some estimates regarding the size of these groups.

How many welfare cases do not involve adults that could be expected to take private sector jobs? For the 10% of cases in which there is no adult in the household, it seems unlikely that employment assistance is appropriate. A physical disability or the need to care for a disabled household member are also obvious limitations on work capacity. Estimates range from one in nine⁴ welfare households to one in three⁵ welfare households having a disabled head of household or member. The presence of a disabled head of household or other disabled members does not necessarily preclude work or training participation for the head of the household. A first child under age three might also be considered a legitimate work or training exemption. If so, 51% of the incoming population may have a child under age three with a high proportion of these being first children. Substance abuse problems which impair work and may require long term or permanent treatment are most likely to involve alcohol. Among welfare mothers 12% report three or more alcohol related problems

³ Handbook of Labor Statistics, 1989.

⁴ Child trends estimates using CPS data.

⁵ Adler (1993) using self-reported data. -- (get complete ref from Steve Bartolomei-Hill)

such as loss of memory or missed work.⁶ Another recent study found that 9.1% of welfare mothers report binge alcohol use.⁷ Learning disabilities which affect 25 to 40% of adults on AFDC,⁸ may or may not be an acceptable reason for a work exemption. Even under the most stringent work requirement, about one third of AFDC household heads would probably be exempt.

How many welfare recipients already work on a regular basis? A recent study by the Institute of Women's Policy Research⁹ found that over a two-year period 39% of the women who used welfare also worked approximately 2,000 hours. The percentage of women on welfare at any one time who work 1,000 hours per year would be considerably smaller. However, a number of additional women also undertake unreported work. A small confidential study in Chicago found that more than half of the 50 mothers interviewed supplemented their incomes with unreported and sometimes illicit earnings.¹⁰ It may not be unreasonable to assume that 25 to 30% of the welfare caseload could go to work in legal jobs if they had a full work support system: earned income tax credits, unemployment insurance, health care, child care tax credits, and child support payments.

After eliminating those who work and those who are exempt from work, who is left on welfare? One-third of the welfare caseload may be physically able to work, but has a tendency toward long term dependency on welfare. The work experiences of other welfare recipients are not likely to be indicative of the employment possibilities for the two million mothers who tend to stay on welfare continuously for five or ten years. Chronically welfare dependent mothers are more likely to be high school dropouts with very low scores on tests of basic skills.¹¹ Though the jobs welfare mothers tend to get are low paying and insecure, as many as half of the mothers on welfare may be significantly underqualified for similar jobs. Welfare-dependent mothers are less likely to have job experience and more likely to

⁶ Child Trends.

⁷ National Institute on Drug Abuse in Cooperation with the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services.

⁸ 1990 Department of Labor Research and Evaluation Report.

⁹ Spalter-Roth, Roberta and Beverly Burr. *Supporting Work: The Relationship Between Employment Opportunities and Financial and Other Support Programs* (testimony presented at the public forum of the Working Group on Welfare Reform, Family Support and Independence). Institute for Women's Policy Research, August 19, 1993.

¹⁰ Kathryn Edin in Christopher Jencks, *Rethinking Social Policy: Race, Poverty and the Underclass* (1992). Harvard University Press.

¹¹ See David Ellwood's tables on youth AFDC cyclers and stayers and Institute of Women's Policy Research reports on welfare and work: cyclers, combiners and dependents.

face discrimination in the labor market.¹² This group is likely to include those who need a little extra help and encouragement as well as those who have intensive emotional, disciplinary or social problems.

c) **WE DON'T KNOW HOW TO IMPLEMENT EMPLOYER INCENTIVES TO CREATE NEW JOBS.** Economic theory suggests that incentives paid to employers to hire welfare recipients are unlikely to create job opportunities.¹³ American experience confirms the theory and demonstrates little success with employer incentives. Lerman¹⁴ notes that under both the WIN program and the TJTC, only a small fraction of the employers claimed credits for which they were eligible. Burtless¹⁵ conducted an experiment with employer vouchers for hiring disadvantaged workers. Members of the control group who had no voucher payment to offer had more success in obtaining employment. Employers did not want to hire workers marked as "damaged goods" despite generous voucher payments, some of which could be redeemed as cash instead of tax credits. In addition to the stigma explanation, Bishop and Kang¹⁶ explain the low employer participation rates in incentive programs by the high level of administrative costs for processing the incentives. The stigma and administrative costs must be potent disincentives to offset subsidies that rose as high as 50 percent of the first \$6,000 in wages for AFDC recipients. However, attitudes in the business community may have changed since the 70's so that many more employers would want to help AFDC moms and would value the payroll subsidy. More importantly, the research indicates that subsidies paid to employees (such as the EITC) would be more successful.

d) **TRAINING HAS MODERATE, BUT MEASURABLE EFFECTS.** Although low skills are a severe problem, training programs are not a quick fix for welfare dependency. Inexpensive programs (\$100-1500 per person) provide short-term job search assistance, remedial education, vocational education or work experience. Despite variations in

¹² Institute of Women's Policy Research. Testimony cited above.

¹³ Johnson, George. "Allocative and Distributional Effects," in Robert Haveman and John Palmer, *Jobs for Disadvantaged Workers: The Economics of Employment Subsidies*, The Brookings Institution: Washington, D.C., 1982.

¹⁴ Lerman, Robert. "A Comparison of Employer and Worker Wage Subsidies" in Robert Haveman and John Palmer, *Jobs for Disadvantaged Workers: The Economics of Employment Subsidies*, The Brookings Institution: Washington, D.C., 1982.

¹⁵ Burtless, Gary. "Are Targeted Wage Subsidies Harmful? Evidence from a Wage Voucher Experiment." *Industrial and Labor Relations Review*, Volume 39, Number 1, October 1985, pp. 105-114.

¹⁶ 1991 *****

economic conditions and program design, the majority of the evaluations show some improvement in earnings, employment, and welfare exits in comparison to a control group.¹⁷ However, even the most successful programs only raised employment levels from 24 percent in the control group to 35 percent in the training group. Thus, the training program only changed the outcome for about 10 percent of the group. While this improvement is worth achieving, it does not help the two-thirds of the group who would not get a job on their own or with the help of a training program. Additional caveats: 1) Exit rates from welfare tend to improve even less than employment rates. 2) The control group in the San Diego SWIM study caught up with the trained group by the fifth year after training.¹⁸ 3) Neither the most job ready nor the least job ready benefit from inexpensive training as much as the middle group: the most job ready will find jobs anyway, and the least job ready do not tend to get jobs after a quick program.¹⁹

More expensive, targeted training programs, such as the home health care aide demonstration, can cost from \$4,300 to \$8,700 per participant. Although this intensive training did not significantly impact rates of employment, it created large boosts in earnings for those employed. Participants in the Home Health Care training increased their earnings by \$1,200 or \$2,600 per year.²⁰ In contrast, inexpensive job search or work experience programs tend to raise earnings on average by \$400 or less.²¹ Intensive programs may be able to increase actual wage levels, while inexpensive programs simply increase hours worked.

Thus, even if we could afford to put every person on welfare through a quick or an intensive training program, two thirds of the eligible participants could end up unemployed at the end of the program. On the other hand, the historical training data may not be applicable in a truly time-limited system or a system with serious performance requirements. Education and training may have a much larger impact on employability in a time-limited system because participants and administrators would try harder; and employers might be more willing to participate in hiring and training more highly motivated, entry-level workers.

e) **SUPPORT THROUGH WORK IS INVERSELY RELATED TO EARLY AND UNMARRIED CHILDBIRTHS.** Marital status of mothers at the first time of welfare receipt is one the best indicators of long term dependency. This should not be surprising since it is harder to pay for food, shelter, and daycare with one salary than two. Even if one parent does not work, he or she can contribute to family income by eliminating the cost of day care. The need for two earners is compounded by the fact that women tend to earn less than men:

¹⁷ Friedlander and Hamilton. Gueron.

¹⁸ Friedlander and Hamilton.

¹⁹ Gueron and Pauley.

²⁰ Bell and Orr

²¹ Gueron and Pauley.

\$10,462 compared to \$27,983 in 1988.²² Two earners in a low-income family also can reduce the fluctuation in income caused by bouts of unemployment. It is an obvious but often forgotten conclusion that a child with support from two parents has more resources than a child with support from only one or the other.

Early childbearing also is highly correlated with a tendency toward long term welfare dependency. Among women who are age 25 or older at the birth of their first child, only 4% rely on welfare for more than a third of the child's first five years. The comparable statistic for welfare dependency among women 15 or younger at first birth is 47%. Even among 18 and 19 year olds, 26% will be welfare dependent for over a third of the first five years.²³ As a result of dependency created by teen child bearing, over half the total costs of AFDC go to cases in which the women entered AFDC as a teen parent.²⁴

f) WE DON'T KNOW WHERE IN THE CYCLE OR HOW MUCH INTERVENTION IS APPROPRIATE. Only in the last decade or two have we begun to measure rigorously the results from our adult training programs and our early intervention programs such as head start. Although we have estimates on the returns to each of these programs, we do not have a way to compare the relative marginal investment returns. Is an extra dollar better spent in head start, high school or adult education? In the absence of a marginal investment theory, we are turning toward programs that help adults and children at the same time, such as parenting programs, WIC, family literacy classes, and head start.

II. Consensus Proposal

Convert AFDC into a Re-employment system instead of an employment substitute.

Introductory background: The friction emanating from welfare reform is the result of new values in society relentlessly hammering away at the old values embodied in the program for Aid to Families with Dependent Children. Society has changed; AFDC has not yet caught up. The majority of mothers have shifted from not working in the 1950s to working in the 1990s. Acceptance of divorce and births to unwed mothers has expanded, dramatically

²² David Ellwood.

²³ Kristin Moore, (1993) Child Trends Analysis based on NLSY 1979-1988 data. Total sample with a birth in 1979 cohort (weighted percentages).

²⁴ Moore, Kristin A. and Martha K. Burt, *Private Crisis, Public Cost: Policy Perspectives on Teenage Childbearing*, The Urban Institute, Washington D.C.

Quint, Janet C., Denise Polit, and Cynthia Guy, *New Chance: Laying the Groundwork for a New Demonstration to Build Human Capital among Low Income Young Mothers*, MDRC, NY, NY November 1986. et.al.

increasing the incidence of single parent households in all income and race categories. The public generally believes (rightly or wrongly) that women can decide whether or not to have a child because of the pill, Roe v. Wade, sex education, and the general openness of attitudes on sex. Together these major shifts in public attitudes have evaporated the feeling of commitment to a lifetime of support for single mothers at the public expense.

Welfare creates a dissonance with our current values: If a woman does not avail herself of abstinence, birth control, abortion, marriage, or adoption, why should society be obligated to support her and her children for 20 or even 40 years? If women want equal rights in the workplace, why should they have an unequal right to permanently opt out? Why should the fathers of these children also be able to turn their obligations to support their progeny over to the public? If the public does not support the children of lazy parents, why should children suffer?

This paper addresses these questions from the perspective of private sector employment. Our central recommendation is that AFDC should become a re-employment system in order to bring it in line with generally accepted values and Administration policy. If re-employment is the accepted goal, many policy decisions naturally follow. For example, a re-employment program should not include people who work, people who cannot work, or people who refuse to work. Section A outlines how AFDC could be converted into a re-employment system.

Section B outlines the re-employment system building blocks in programmatic terms. The top two tiers of investment proposals are the low risk core. In addition, a third tier of possible investments is offered. These third tier proposals are riskier and unproven but could be tried to determine whether they improve the re-employment system. An overall investment strategy and close monitoring of the experience with these elements should result in a system which continuously learns and improves.

A. Family Re-employment System Overview.

- 1) Get the people who are not expected to work out of the program.

AFDC used to include only people who were not expected to work: mothers. Now that mothers are expected to work, the mixture of disabled and job-ready parents fuels public hostility toward the program. A first step toward turning the program into a re-employment system is clearly defining who the general public is willing to support indefinitely. This may cover: physical disability, caring for a disabled relative, first child under 3, substance abuse recovery, mental health problems, etc. It does not include every single parent with a child under 18.

Once the criteria are clearly defined for those people who may work but are not expected to do so, get these people out of the welfare (AFDC) system. Here are a few possible alternatives for supporting the children of parents who are thereby deemed unable to work:

- Expand SSI (Disability income) to cover dependent children.

- Redirect AFDC entitlement streams of income over to the Social Security Administration for this group of people without changing the payout levels or eligibility rules.
- Change the name from AFDC to "Dependents of the Disabled Income" or "Child Support Replacement."

However it is accomplished, people who are not expected to work should be clearly separated from the rest of the program. By separating them from the welfare population, their claim for support will become more legitimate in the public view. Their needs will be identified with war veterans, the handicapped and the elderly--groups who have programs with strong public support. Continuing to pay them an AFDC benefits check under the reformed welfare system while exempting them indefinitely from work and training requirements doesn't look right to the general public. Mixing the able and disabled cases undermines the credibility of the program which supports people who are not expected to work.

2) Get the parents who already work out of the program.

As we have outlined in our findings and background papers, there are a significant number of single parents frequenting the welfare office who are ready, able and willing to work. In fact they do work. The jobs these women typically obtain have three serious drawbacks:

- Wages are so low that supporting children is difficult.
- Health care benefits are seldom available for low wage employees.
- The jobs only last about six months on average.

Administration efforts have focused more on the first two problems than the third. The earned income tax credit (EITC) will significantly raise the earnings of women who try to support children on an average of \$4.39 per hour. The expanded EITC under the reconciliation budget can add as much as \$1.70 per hour to their earnings. When the change is phased in fully the maximum assistance will rise approximately from \$1,900 to \$3,400 for a family with 2 or more children. Raising the minimum wage, which has not yet been ruled out, would be likely to increase earnings for all low-income parents who work. Universal healthcare would remove what is reputedly the largest, current disincentive to work for welfare recipients. Improving paternity establishment and child support enforcement is another way to increase income for children, despite low wages for unskilled women and men.

If the third problem--the high turnover in the low end job market--were also addressed, at least a third of the welfare population might leave the welfare system immediately. A recent study found that 39% of the women who used welfare over a two year period also worked about 2,000 hours on average either part-time or full-time. These are the women who are motivated and able to support themselves. They do not need to be

policed, trained, humiliated or taught how to find a job. All they need is what men have had for decades: an Unemployment Insurance (UI) system that works.

When determining whether "Work Pays," we typically consider a full-time, minimum wage job as a benchmark. If we take into account the fact that most women cannot find a job which lasts all year, their effective minimum-wage income is much lower. "Making work pay" involves filling in the gaps as well as raising the level of earnings.

The existing unemployment insurance system doesn't meet the needs of the welfare population. Only 11% of the women who mixed welfare and work were eligible for UI. Half of those who received it exhausted their benefits without finding another job.

We should allow more low-income parents with a recent work history to have temporary income support with few strings attached—just like UI. For example, parents may be allowed to earn two weeks of income support for each month worked up to a maximum of six months. Rules could be set up which would accommodate two-parent families on the same terms as one-parent families. Low-income, child support payers may also get extra help between jobs. Part-time workers will need special consideration. Program designers for UI should cooperate with AFDC experts in order to determine the optimum work and benefit formulas. Rules could be structured to be budget neutral or even deficit reducing. Here are a few alternatives for implementing these basic principles:

- Modify the existing UI system to ease eligibility criteria and provide more generous proportions of previous earnings for poor families with children to support.
- Shift a portion of the stream of welfare entitlement funding over to the UI system to support payments based on work history and short-term unemployment. Funneling the money through the UI office would not change the cost of the income support but it would change the welfare psychology. Women might feel some pride in collecting money that was "earned" instead of getting a handout. As the UI system is transformed to a re-employment system, unemployed parents would get job counselling, job search assistance and other supports routinely provided to workers in general.
- If the existing UI system cannot accommodate this population, rename the program within the welfare system. For example, it could be called Family Unemployment Insurance (FUI) and be administered by Health and Human Services. There would be stronger public support for (and greater individual pride in) a program that offered short-term payments for parents who have recently worked and who are looking for a job.

The critical success factor for creating an Unemployment Insurance program for poor parents will be creating public recognition for hard-working parents in low-wage jobs. They can be ideologically linked up with the UI program, which has strong public support and offers temporary benefits based on recent work. Parents in this program would probably

become American heroes--parents who work hard, play by the rules, and support children with little money. Who could argue that they should not have a little help feeding their children between jobs?

- 3) Create a highly structured, two-year re-employment system for the remaining parents in the welfare system.

Proposals one and two taken together could reduce the welfare rolls by up to two-thirds. The public would feel confident that "welfare" had then been reduced to a core population who needed either more help or more discipline. AFDC would be narrowed down to the parents who are expected to work but are not working. Parents will only end up on welfare, or AFDC, if they have fallen off the merry-go-round of low-wage jobs or if they were unable to get on it in the first place.

For the remaining third of the population that ends up on welfare, income support should be accompanied by a highly structured set of expectations relating to re-employment. Receiving welfare would be just like a job. Individuals are expected to show up on time, dress appropriately for their activity, and work for the full amount of time expected (probably 20 hours). The activity may be supervised job search, job counselling, subsidized employment, community service work experience, training, education, etc. Close supervision will be affordable and appropriate since this will be a much smaller caseload consisting of people who have exhausted their UI or who never qualified for it. Pay will be based on performance as in any job. Base pay may be linked to hours worked, with bonuses for degree completion, job finding, or perfect attendance. Individuals would have a maximum eligibility of two years in this AFDC re-employment program.

- 4) For parents who do not meet structured expectations or who become pregnant, options should be significantly narrowed, but remain job focused.

Not everyone will show up on time and put in their hours. This is a signal that the individual needs more help or more discipline than the structured program provided. Those who drop out of the two-year, structured program should have a much narrower range of options available to them. Here are a few alternatives:

- Return the individual to one of the other programs listed above. Intensive counselling and evaluation should be used at this point to reassess whether the individual belongs in a program for the mentally or physically disabled. If not disabled, the individual should work with the counsellor to choose the next step. The parent may opt to get a job or try the structured program again assuming the time-limit has not expired.

If the parent is not sent back to one of the programs above, a combination of individual choice and caseworker recommendation could lead to one of the following alternatives.

- Residential boot camp. At this point a heavy dose of discipline and socialization may be appropriate. Job Corps, a program currently available to few parents, has succeeded with a very difficult population by providing an intensive, residential program.
- Comprehensive family counselling and intervention. When employment assistance fails, it may be time to examine and deal with contributing factors such as physical abuse or emotional disorders. Counsellors may recommend a foster home, change of custody order, or other social services. After dealing with the social problems, the family may be able to return to one of the other programs.
- In-kind assistance only: housing, food stamps and healthcare. If the individual simply refuses to meet the responsibilities involved in the second chance program, eventually they must be let loose. The family will have to rely on friends, relatives and intermittent work for additional income. A follow-up program should make sure that the children are not suffering from the parent's inability to work. Where to set the minimal support for children was a contentious issue in our group. It is discussed in greater detail in section II under "Differing views."

5) For parents who reach the time-limit, there will be *temporary jobs*.

For parents who complete two years of structured, re-employment activities without finding a job, there will be temporary jobs available. Rather than being jobs of last resort, these jobs function as a transition into the world of work. The pool of temporary jobs will provide a buffer against short-term employment after training. Once the individual begins to work, he or she will be eligible for the new family unemployment insurance program and the earned income tax credit. A small pool of jobs should be sufficient to meet this need if the unemployment insurance program is taking up the slack for experienced workers. The pool of jobs can also function as an indication of labor market tightness. If some of the temporary jobs are unfilled, then we will know that the local labor market is not fully saturated. Welfare recipients who refuse to take a temporary job will not be offered any further cash benefits. When the pool becomes fully utilized, efforts to expand it can be undertaken as a countercyclical measure like extended benefits in the existing UI system. We see only two alternatives for making real, temporary jobs available:

- Jobs consortium. Create public/private partnerships at the local level to provide a pool of temporary jobs available to welfare recipients who have come to the end of their time-limit without finding a job. A national campaign should encourage the business community to participate in a program which is jointly administered by business and government. Responsibilities for hiring, training, and paying the new employees could be shared in creative ways designed at

the local level.

- Public Sector Jobs. Create part-time, minimum wage, public service jobs which last for six months. Provide meaningful community service work filling unmet needs in government and non-profit organizations.
- 6) What happens after parents reach the time-limit and finish their temporary job opportunity was a point of contention within the group.

What is the bottom line for supporting children in poor homes? Policy issues involving the basic level of support for children are taken up in section II on "Differing Views."

B. National Investments in a Re-employment System.

This section explains the re-employment system outlined above in more programmatic terms.

1) EARNED INCOME SUPPLEMENTS--Some of the new investments supplement earnings for parents who work:

(i) **Earned Income Tax Credit Expansion.** Under the reconciliation budget, incentives to work have been expanded through refundable tax credits. When the change is fully phased in the maximum assistance will rise approximately from \$1,900 to \$3,400 for a family with 2 or more children. For a full time worker the expanded EITC can add as much as \$1.70 per hour.

(ii) **Unemployment Insurance for Low Income Families.** Making work pay involves not only raising the returns to work for parents, but also filling in the inevitable unemployment gaps. In the low-end labor market most jobs last less than one year. Wage subsidies in combination with wage insurance could create a viable self-sufficiency package at least one-third of the welfare population.

(iii) **Health Care.** Access to healthcare will remove the disincentive to work resulting from lack of health care coverage in low-wage jobs.

(iv) **Paternity Establishment and Child Support Enforcement.** Linking support for children to two parents insofar as possible should decrease the dependency of children on welfare. Special care must be taken to ensure that enforcement policies do not create a disincentive for fathers to work.

2) NATIONAL OPPORTUNITY INITIATIVES--Other investments should be aimed at expanding and streamlining access to self-sufficiency opportunities:

(i) **Improve current education, employment and training portfolio.** The federal government already invests over 100 billion dollars to provide universal access to education, employment assistance, and training: Job Training Partnership Act programs, guaranteed student loans, Pell grants, Head Start, Job Opportunity and Basic Skills program, adult education and hundreds of other programs. The current initiatives to streamline improve and expand these programs should have more effect than any new welfare training program. Improvements suggested by our group include: (a) more emphasis on high quality, on-the-job training; (b) more emphasis on the 20 occupations projected by the Bureau of Labor Statistics to have the most job growth; (c) more emphasis on public-private partnerships to create work experience opportunities.

(ii) **Transform JOBS into a structured, two-year system with a drop out program.** Everyone who is left on welfare who is considered able to work should only be paid for the hours which they participate in re-employment activities such as supervised job search, work experience, education or training. Parents who drop out of this highly structured program should receive intensive assessment, counselling and a much narrower set of options.

(iii) **Jobs Consortia.** When the time limit ends, welfare recipients who remain unemployed should be offered a temporary job. A small pool of jobs could be provided by a local consortia of public and private employers instead of launching a new, purely public-sector program. Many companies--non-profits and profit-based--have expressed an interest in forming consortia for hiring, training, and recycling funds invested in welfare recipients.

In Canada, the Human Resources Development Association formed an investment group which uses welfare funds to invest in small companies who hire and train welfare recipients.

In another model, a fund is set up which pays wage subsidies during a training period and then collects money back from the successful graduates of the program. Governor Wilder has requested permission to set up a revolving trust fund which could provide a menu of rewards to employers including tax breaks, reimbursements for training, or one year of health insurance payments.

State and local creativity should be encouraged for setting up public-private partnerships to provide temporary jobs at the end of the time limit.

(iv) **Raise asset limits for means tested opportunity programs.** In the campaign the President called for an increase of asset limits to \$10,000 from the current \$1,000 limit which is out of date. This would prevent families from having to hit bottom before we can offer them any help. Higher asset limits also would enable welfare recipients to save money while on welfare and build up a cushion against future crises that could put them back into a desperate position.

(v) **Teach banking, budgeting, and saving skills.** Managing work, childrearing and homemaking on a tight budget is no easy trick. Experience at New Hope shows that recipients need and want to learn about using checking accounts, ATM machines, and credit cards. Basic education on financial management could be offered through Community Development Banks or other public-private partnerships.

(vi) **Increase access to networks of employment and education opportunity.** Discrimination and the isolation of minority and poor children in separate schools and housing prevent many from reaching the first rung of ladders of economic opportunity. Job networks and higher education opportunities are often too far removed from the everyday experience of poor and minority youth and families in areas of concentrated poverty. Although specific initiatives along these lines may not be linked to welfare reform, it should be made clear that isolation from ladders of economic opportunity is one of the contributing factors to welfare dependency.

(vii) **Initiate a national campaign to explain the new social compact.** The public in general and young people in particular will need to be informed of the changes in the social compact. The choices faced by teens today will be tougher than those faced by their parents. Boys who father children will have a lifetime financial responsibility which cannot be dodged. Girls who become

pregnant, bear children, and keep them will no longer be entitled to an 18-year salary at government expense. Raising public awareness of the new compact of responsibility and opportunity will help some youth to avoid difficulties and garner support for temporary assistance to those who make mistakes.²⁵

3) DEMONSTRATION AND EVALUATION OF OTHER INVESTMENTS:

In addition to the basic elements of a re-employment system, we need to invest in creative approaches and flexible state options. We list below five areas which are high priorities for further investment and experimental research. In each area, a research plan is needed to clarify the investment objectives and our current level of understanding. Federal funds and waivers ought to be earmarked for projects in these areas proposed by partnerships including government officials, community groups, and private sector participants.

- (i) JOB CREATION AND EMPLOYMENT INCENTIVES
- (ii) SAVINGS AND EMPOWERMENT STRATEGIES
- (iii) IMPROVING ACCESS TO JOB NETWORKS
- (iv) TEAM-BASED APPROACHES
- (v) INCENTIVES FOR SOCIAL WORKERS

In each of these important areas, we need more experience and evaluation of how to effectively use federal money--not just ad hoc waivers and demonstrations. Each of these topics is discussed below.

(i) JOB CREATION AND EMPLOYMENT INCENTIVES

? Our issue group found that employer incentives to create jobs or to hire welfare recipients were theoretically unsound and a waste of money in practice. However, there may be a more limited, but valuable role for both employer and employee incentives. Incentives to offer or to take a job may be able to create temporary employment opportunities which can build job experience and skills. Developing these tools is a high priority considering the inability of traditional methods--training and job search assistance--to put an end to welfare. We need these new alternatives.

Many employment incentives have been tried, but few have been rigorously evaluated. For example, targeted employer tax incentives have been used for many years in order to help disadvantaged workers get jobs. However, the only study to evaluate targeted hiring

²⁵ In addition to these national programs, about half of the group was also in favor of national child support assurance and child care subsidies to encourage private sector work; others felt that statewide demonstrations were more appropriate for assurance and child care, given the high costs and unmeasured effects on the incentives for self-sufficiency.

What about E-Taxers? (428)

incentives found them to be counterproductive for the disadvantaged workers.²⁶ Another alternative is provided by the America Works Corporation. This program uses AFDC checks to subsidize wages during a six-month trial period of work. If the worker performs well, she is permanently placed in the job and America Works collects a placement fee of about \$5,000. As a result, America Works staff are highly motivated to train and support the worker during the trial period. Since this program and others like it have not been evaluated using randomly assigned control groups, it is impossible to determine whether all or part of their success is based on selecting the most able welfare recipients rather than actual assistance.

In sum, we found no hard evidence that such grant diversion or targeted subsidy programs have ever influenced employers to create new jobs or caused employers to prefer the targeted group as employees. On the other hand, the evidence does not conclusively show that subsidies, bounties, and incentives will be ineffective in any form. In a time-limited welfare system, these programs assume new importance as temporary or transitional assistance for entering the labor market. We strongly recommend that innovative new approaches be evaluated with randomly assigned control groups. Here are some of the approaches which should be evaluated:

OHC
mandate
New Jobs
Tax Credit

- Pay wage subsidies directly to individuals instead of employers. Many variations are possible:
 - Permit part-time work or temp work. (With time limits, the issue of mixing welfare and work is a very different one.)
 - Allow employers to pay long term welfare recipients less than minimum wage while the government makes up the difference. This is similar to tax incentives or other employer subsidies but requires less paperwork for the employer. / OK
 - Provide child support assurance or a refundable child care credit. / ?
 - Test the effectiveness of employment bonuses to welfare recipients for finding and keeping a job.
- Use targeted incentives in a new way: through government contracting. We could provide preferential treatment for service providers who hire a minimum percentage of welfare recipients. We can leverage government funding for child care, substance abuse treatment, home health care, maintenance of public housing, and more. Let service providers compete to serve welfare recipients by hiring and training some of their customers. Such a program could be extended to all government contracting in the same way that we currently favor minority and women owned businesses. At a minimum we / good idea.

²⁶ Burtless, Gary. "Are Targeted Wage Subsidies Harmful? Evidence from a Wage Voucher Experiment," *Industrial and Labor Relations Review* Volume 39, Number 1, October 1985, pp. 105-114. Burtless analyzed an experiment in which job seekers who were given a generous wage subsidy voucher were actually less likely to find work than were the randomly selected control group members.

should demand that new spending on day care lead to some job creation for welfare recipients.

If proven effective, these initiatives could help welfare dependent adults to get work experience in real jobs in order to increase their employability. On the other hand, wage subsidies can be a windfall gain for employers and a stigma for individuals. The need for research and rigorous evaluation with control groups cannot be overemphasized.

(ii) SAVINGS AND EMPOWERMENT INCENTIVES

During the campaign the President advocated helping welfare recipients to become self-sufficient through saving and empowerment strategies as well as through work and training. Our group recommended higher asset limits and financial education as part of the national welfare agenda. Once welfare recipients are allowed to save and encouraged to take advantage of the regular financial services and saving opportunities available to the general public, some research and evaluation could determine whether additional incentives would effectively promote self-sufficiency.

- Savings Incentives: New saving vehicles such as Individual Development Accounts or Community Development Bank/Certificates of Deposit could be established with matching federal money incentives. Use of these funds could be limited to training or entrepreneurship. In addition, welfare recipients could be allowed to earn extra money without losing any benefits if the money is placed in a personal development account. (HUD experiment? ask Mark Gordon or Cuomo)

- Empowerment Incentives: Research has shown that only a tiny fraction of the welfare population can successfully launch their own small business. However, there may be ways to expand opportunities for ownership and self-determination to a larger scale.

- Cooperative franchises could provide a blueprint for success and some risk sharing in order to increase success rates. In a cooperative franchise, the workers share ownership with a regional or national entrepreneur who can provide the management and financial skills necessary to allow the hard work of the worker-owners pay off. In day-care businesses, for example, many mothers could succeed with such support.

- Community Investment Corporations could allow residents to pool their money and team up with managers and entrepreneurs to revitalize the community. Since residents would have voting rights and a financial stake in the Corporation's success, they would work hard as employees and provide a loyal customer base. Returns from the venture would stay in the community.

- Employee-Owned Companies like the Worker Owned Sewing Company in Massachusetts are built on the sweat equity of poor people. It now handles multi-million dollar clothing contracts for K-mart and others. Why can't women on welfare

use their latent work efforts to build equity instead of raking leaves for the Parks and Recreation Service?

If the future holds only long hours, low pay, and little job security, how can we expect women to get motivated and work hard? Creating opportunities for welfare dependent families to earn equity in a thriving venture may provide hope for participating in the American Dream which we take for granted. It just might motivate a family to try harder.

(iii) IMPROVING ACCESS TO GOOD-JOB NETWORKS

A major problem for the urban poor is the lack of access to networks for finding jobs. Studies of how people find work consistently conclude that the most common method for finding good jobs is a referral from friends or relatives. To provide such referrals, friends and relatives must themselves be employed and be a credible reference. The concentration of unemployment in poor neighborhoods or housing projects makes it difficult for the urban poor to make use of this highly productive method of job search. Instead, they must rely on formal methods of job search such as want ads and state employment development offices. The overrepresentation of the least advantaged among the population using these methods drives employers offering good jobs away from them. This intensifies the job-finding problem.

The research in this area does not provide us with clear insight into which policies are most effective for improving access to good-job networks. Efforts can be focused on improving access to informal networks or improving the quality of formal job networks.

● Informal Job Networks.

- Brokers. Welfare and youth employment practitioners emphasize the need for an intermediary broker. This broker can develop personal relationships with employers (near and far) and provide a credible recommendation for someone who would otherwise be stigmatized. Successful job developers or brokers generally have a business or sales background rather than a social work orientation. Such brokers or job developers may help youth and women with little job experience to access the informal job network.

- Gatreaux. Another method of improving access to informal networks is through moving to opportunity programs. Moving out of concentrated poverty areas can increase the probability of the mover's having friends and neighbors who work and can provide job referrals. As a group, we support national program development for moving-to-opportunity programs based on the positive results for children demonstrated in the Gatreaux project. However, we do not have clear evidence of links between moving away from high poverty tracts and job finding. It is unclear, for example, whether moving nearer to jobs is as important as moving nearer to people who work. If we step up the expectation to work, it will be more important to understand the impact of housing location on the ability to find work.

*America
Works*

- **Formal Job Networks.**

- One Stop Shop. The new One Stop Shop initiative can provide disadvantaged neighborhoods with access to a job network through small, competitive, local offices linked together by computer networks. In these offices people can find out about local or regional labor market information, get job counselling, find out about training opportunities, and receive job search assistance. The key to ensuring that One Stop is a high quality job network is getting the buy-in from employers and middle class employees through attractive, high quality, competitive service. In addition to competitive bidding for one stop franchises, the Department of Labor plans to encourage One Stop vendors to provide fee-based services to employers such as screening, recruiting and supplying labor market information. Formal networks may also be improved by the skill standards initiative which will create objective skill standards and credentials for those who do not have four year degrees.

- Job Banks. A requirement to list jobs with the employment service job bank may be worth considering despite the controversy which it would generate. Without the job listing requirement job banks tend toward a destructive equilibrium. Employers with good jobs do not use job banks so employees with good skills do not use job banks. If listings were mandatory, it would attract a better pool of workers and make the service more useful to employers. Many European countries have job listing requirements which are estimated to have compliance rates ranging from 30 to 70%. Incentives to use job banks rather than a mandatory requirement might also be a way to reach a more positive equilibrium.

- New Formal Networks. Many jobs are not pre-existing slots; they are created to fit people. Formal networks should try to 1) showcase people as well as jobs and 2) bring employers and job seekers together in social settings. Alternative networks which could receive more support include: job fairs, video resumes, television programming, and subsidized employment newspapers.

Many of these job network initiatives are already planned and could be utilized by the welfare population. For example, the new School-to-Work initiative encourages states to incorporate the role of "career counsellors" as brokers. The Department of Housing and Urban Development is planning to expand their Moving-to-Opportunity programs. The Department of Labor could also work on ensuring that disadvantaged neighborhoods have access to One-Stop centers without jeopardizing the middle class buy-in. Certainly, career offices in schools of all neighborhoods could link up to the One-Stop information networks. Skill standards, when developed, will also be accessible to the welfare population. All of these services will not only be available to mothers and potential mothers, but also to fathers and potential fathers. We recommend rigorous evaluation of these alternatives for increasing access to high quality job networks.

(iv) TEAM-BASED APPROACHES

The current welfare system isolates women and children in a desperate situation. We expect them to stay at home without husbands. When we offer career assistance, we examine

only one case at a time. Women are assigned community work service "slots" in an assembly line fashion. Alternative approaches could leverage teamwork to maximize resources and support.

- Residential College: Provide a physical setting in which women can work as part of a team. Cooking, child care, and other jobs in the community could be shared to reduce costs. Training could be offered without expensive overhead for child care and transportation. Such a community could probably be supported with the equivalent of welfare, food stamps and housing benefit. If it provides a safe place to live and good training, it would be a popular element in a two-year, "hand-up" welfare program.
- Team oriented JOBS: Emphasize job clubs, child care clubs, shared housing and other forms of mutual support as part of the existing JOBS program.
- Self-managed teams: Instead of assigning women to community work slots, teams of women could compete for pre-defined work contracts. As long as the contract specifications were met, there would be no need for expensive and demeaning supervisors. Providing more responsibility, freedom and respect would help build real world skills.
- Caseworker assistants: We frequently hear that caseworkers are overloaded and therefore cannot invest the time to help women rebuild their lives. We could recruit job-ready welfare mothers to work as case worker assistants to help other mothers solve more severe problems and become job ready.

(v) INCENTIVES FOR SOCIAL WORKERS & MANAGERS

Most of the discussions on welfare reform revolve around the incentives for welfare recipients or to a lesser extent around the incentives for employers. A key ingredient in helping welfare recipients make the transition to self-sufficiency is the incentive structure for social workers and welfare program administrators. In the testimony during the Welfare Reform hearing in Washington D.C., recipients described welfare workers, rules and systems as being hostile to women who took steps toward independence. In addition to changing the rules and the system, it is worth adding incentives for the caseworkers and JOBS personnel to help move their clients to work onto the research agenda.

Here are a few examples of ways to redesign welfare or JOBS administration to change the incentives:

- Work Support Agency. Separate the welfare administration from the administration of job assistance and subsidized jobs. This concept has been discussed as a new Work Support Agency, possibly run by the Department of Labor instead of HHS. This would allow staff on the job assistance side to spend less time worrying about income verification and eligibility and more time on getting people to support their children through work. The drawback is that it would create a new layer of bureaucracy at a time when we are trying to slim down and cut costs.
- Modernization. Use technology and process redesign to reduce dramatically the

amount of time spent processing paper. This would allow current staff to spend more time helping people instead of pushing paper.

- Include private groups. Allow non-profits and private companies to augment welfare programs by becoming part of the program. Toby Herr of Project Match has outlined a system in which welfare recipients could get work or education participation "credit" in their case for working with outside groups. For example, a mother who volunteers at school, church, or head start can get work hour credits if she is on time and a good worker. This allows individuals to find a supportive niche and build their own program rather than assigning women to make-work slots.

- Performance bonuses. Pay organizations for helping recipients get off and stay off welfare. Allow non-profits, private, and even government offices to compete for the funds. Recipients could choose an organization for casework. Payments could be performance based. However, we cannot pay a fixed bonus for all placements since some people are less likely to find jobs than others. Performance bonuses would pay all programs such as Project Match, America Works, One Stop Shop and the JOBS program for getting women in jobs that last.

good

very good

III. Differing views: BASIC SUPPORT FOR CHILDREN

Summary: Once we cleared away the consensus areas, this issue remained at the heart of the private sector jobs issues. In various forms, we agreed that the incentive to work for able-bodied adults would be increased by widening the gap between the minimum level of assistance for children and the rewards to work. This means raising the rewards to work or lowering the floor. We favored "Make Work Pay" strategies that increased rewards such as the EITC and health care reform. Further increases in the rewards to work could be offered through employee subsidies and AFDC-based earnings disregards. We recommend raising the rewards to work within the budget constraints.

On the other hand, lowering the floor will also "Make Work Pay." The axis on which our views differed was according to how low the floor could be allowed to drop in order to provide an incentive for able-bodied parents to take private sector jobs.

Framework for options: Since the public sentiment has shifted away from an acceptance of a public responsibility to support able-bodied single mothers, it is our job to develop a humane policy that transforms the old, paternalistic social responsibility into a new social compact in which all parents bear the responsibility for supporting children through work. Our group, however, was very concerned about the impact on children of a potential reduction in security for children of single parents. The following framework serves to lay out the range of options discussed:

- As a yardstick for policy goals, we recommend an objective measure of the cost of supporting a child.

Each state should annually publish the minimum cost of supporting 1, 2, or 3 children in their state based on a common bundle of goods and services. For example, the bundle could include: food, housing, utilities, day care, night and holiday care, transportation, clothing, etc. States could publish an objective cost measure such as the average expenditure on the bundle of services in the bottom quartile of households in the state. This number (or a multiple of it) could be used as an index for child support awards in each state as well as for the welfare assistance options outlined below.

Need
5/10

- Welfare Reform ought to introduce a new compact explaining which portion of basic child support is the public responsibility and for how long.

Require states that use federal AFDC money to ensure that first-time welfare recipients receive a bundle of cash and services equal to or greater than the basic cost of support for children. This would differ markedly from the current program in that AFDC benefits would be higher or lower depending on whether housing or other benefits were available. AFDC would serve to top up the budget to a basic, state-determined level of support rather than provide a fixed payment. Taking advantage of existing employment and training assistance would be easy if the cost of living—including child care—was really covered.

After two years, the public would no longer be expected to provide full support for the children—their parents are expected to support them through work. Once parents have used up their "hand up" assistance, the support for children includes a clear expectation that able-bodied adults will work. Any further assistance after the initial two years would be contingent upon having a child support order in place or an exemption. This new understanding of the social welfare compact could take at least four forms:

Option 1: Pay less than the full child support level after two years.

Within federal guidelines determined by the welfare reform effort, states could provide less than the full child support level. The partial payment of the basic child support would not be expected to support the family indefinitely. Assistance in this case might be used to tide the family over a crisis while they stayed with friends or in a shelter. After two years of a "hand up" the state would not be responsible for providing full support to children with one or two able bodied parents.

Any income over the welfare assistance should be disregarded up to the basic support level since the children will need the money to survive. Temporary, subsidized jobs could be provided in high unemployment areas with a higher federal match rate and incentives to relocate.

This is the only option in which long term recipients are paid less money than new entrants to the system. Federal guidelines would need to cover three aspects of the system:

1) **Benefits differential:** At one extreme, states could implement a program which dropped off to zero benefits. Federal guidelines might require an unemployment insurance program aimed at this population or some other supports in exchange for

allowing benefit termination. Alternatively guidelines could be designed to set a minimum level to which benefits could drop; states with benefit levels below the minimum could not utilize the option to cut benefits. A variety of other federal guidelines could be imagined to regulate the difference between the maximum and minimum benefits.

2) Benefits slope: States could choose to design the system so that individuals faced a gradual reduction in benefits or an immediate change. In order to implement steeper slopes, states might have to demonstrate accelerated investment strategies such as intensive training programs, access to day care or providing jobs for those who do not find work.

3) Phase-in strategies: Federal guidelines might restrict major changes to new entrants only. Gradual benefit reductions which did not fall to zero might be phased in for the population as a whole.

Justification: This would put the responsibility for finding work on the shoulders of able-bodied parents in the same way that it falls on able-bodied, childless adults. However, it leaves a partial cushion that is not available to childless adults or two-parent families. The size of the cushion would be determined by the federal or state guidelines spelled out in the welfare reform legislation.

Option 2: Pay the full support level, but only intermittently.

After two years, single parents could be provided full child support on the same terms as two parent families. Eligibility should be temporary and based on a work history. In order to place single and dual parents on an equal footing, such a policy might involve provision of affordable child care for single parents or exemption of single parents with children under school-age and no child care.

Justification: This would put responsibility for single mothers to work on a par with our expectations for two parent families. Children in both one- and two-parent families should be afforded more protection from unemployment than we provide for adults. Although we can justify more assistance to adults with children than without children, we can no longer defend dramatically different expectations for single or dual parents. Women (or single parents) are no longer expected to stay home with their children.

Option 3: Pay the full support amount indefinitely, but require work.

After two years, states could continue to offer full child support packages with a work requirement. Some feel that work must take the form of a "real" job. Others believe that certain parenting activities should count as a valuable work contribution.

Justification: This would give significantly less responsibility to single parents to find jobs relative to two-parent families or childless adults. However, it preserves the assumption that single parents have an obligation to work.

Option 4: Allow consolidation of means-tested funding before and after time-limit.²⁷

Preventing hunger and homelessness among children--providing them with basic support--is not a question of how much AFDC can be cut after two years. In the current budget environment, basic support for children will require shifting funds from numerous means-tested programs, including education and training programs. In-kind assistance programs force destitute families to overinvest in housing, healthcare, food or education. If the resources from these programs could be pooled, jobless families could be offered a decent income with incentives for various behaviors. By focusing only on AFDC aid, we will do little more than place more hardship on families. In the initial two years, not enough funds will be available in the AFDC program alone to provide a true second chance. Reducing assistance or requiring work is just less after too little basic support.

We are focusing on a program that spends about \$20 billion each year. Of that total, we may believe that only 25% of the families have an adult who could work instead of accepting welfare. Since getting that population to work will probably cost at least as much as AFDC, we are pouring our energy into a budgetary differential of about \$1 or 2 billion either way. While AFDC recipients receive over \$100 billion each year in assistance, AFDC reform will likely affect the spending of only \$1 or 2 billion annually. Although one or two billion is a small budget slice, a billion dollar conversion from clothing to social work could significantly harm the well being of families.

Option 5: Allow states to apply for Options 1, 2, 3, or 4 and receive approval for an implementation plan. States could choose to shape the individual's transition from full child-support to partial support as a gradual or immediate change. States may choose to shift some resources out of housing or food stamps into wage supplements or income support. States would outline funding levels and strategies for employment, training and public jobs. Phase-in strategies from the current system may vary as well.

Justification: Differing strategies may be appropriate in different states or even different communities. Option 1 may be suited to large, highly populated states with turbulent job markets, whereas Options 2 or 3 might be more appropriate in rural states with highly seasonal work or less employment turnover. Option 4 may be helpful for very poor states in which the other options would have little effect.

Recommendation: Single parents with income below the basic level for supporting children

²⁷ It is interesting to note that this option brought together the most liberal and the most conservative members of our issue group. In addition, the unofficial Republican welfare reform proposal also touts a "block grant" concept as an option for states to increase flexibility.

should have assistance connected to an expectation to work. The goals of the program, not just the rules, should be clear and based on the cost of supporting a child. State-by-state, empirically based cost estimates would be more useful for calibrating an appropriate assistance policy than a national poverty level. The fate of children would not depend on winning a lottery for housing or other benefits. Clarifying the difference between our expectations for self-sufficient parents (the poverty line) and the basic cost of supporting kids (the basic child support level) would increase the incentive for parents to move into a private sector job.

Use Option 5 to permit states to test variations of the work expectation. Federal guidelines for reductions below the basic state level (Option 1) or periods of ineligibility (Option 2) should be agreed upon at the Welfare Reform Working Group level. Federal funding should be made available for 2 or 3 states to try a major commitment to guaranteed, part-time minimum wage jobs or indefinite, high quality workfare (Option 3). Ultimately, some programs may be found to be more effective than others for encouraging self-sufficiency depending on state or local circumstances.

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IV. Appendices

A. Background Papers

- 1) Job Outlook for Welfare Recipients (Lucas and Deane)
- 2) Welfare Recipients as Employees (Lucas and Deane)
- 3) Wage Subsidies (Gillingham)
- 4) Job Training and Job Development (Nicholson and Lah)
- 5) Savings, Assets and Empowerment (Stiglitz)
- 6) Economics of Early and Single Parenting (Deane and Bavier)

B. Options Presented to the Group

- 1) Sub-minimum wage
- 2) Individual Development Accounts
- 3) Community Development CDs
- 4) Education, employment and training model
- 5) New Foundation
- 6) America Works & TEE demo
- 7) 3 Tier System
- 8) The "Hill"
- 9) Residential College Opportunity
- 10) GSL Mentors
- 11) Disregards

To: Bruce
From: Bonnie

Economy and Jobs Issue Group
Executive Summary of Findings and Recommendations

I. Introduction:

The world and the way we look at it has changed. Women, even many with young children, expect to work. One parent families are not an exception to the two parent rule. Men, in one-parent or two-parent families, are taking on more of the responsibilities for children and family nurturing. We no longer need sharp distinctions between programs for the economic security of those who work full-time in the home (Aid to Families with Dependent Children) and those who work full-time in the workplace (Unemployment Insurance). In the same way that the Family Leave Act addressed the special needs of workers with parenting and family responsibilities, we need to examine other employment problems for parents and provide supports which will ensure the well-being of children in families supported through work.

II. Overview of the labor market and the employability of the caseload:

Our findings indicate that the welfare population capable of entering the workforce is a small number relative to the number of jobs created and jobs turning over in the U.S. over the next decade. In particular, occupations typically filled by women and minorities are among the fastest growing. We believe that the parents who could end up on welfare will be able to find jobs and support their children if we compensate for the low pay, high turnover, and lack of healthcare in most low-skill jobs. (For more detail see the "Findings in Brief" section of the paper or the appendices.)

Based on our research into the demographic characteristics of the welfare population, our group decided to view the welfare population in three distinct groups:

- (i) those who already work regularly,
- (ii) those who are not expected to work, and
- (iii) everyone else.

In contrast to other methods for dividing up this extremely heterogeneous population, this categorization does not need to rely on subjective caseworker assessments such as "job readiness." Based on some measure of work history, we can identify the individuals who are already able to find and keep a job. A recent study estimated that 39% of the women who use welfare work regularly and use AFDC to fill in for periods of unemployment or to subsidize their wages. For new cohorts of welfare recipients, the proportion who can easily work will be even higher. We can also identify a sizable population on welfare--probably another third--for whom work is clearly not an expectation. This second group may include the physically and mentally disabled, those who are caring for the disabled, individuals with substance abuse problems, orphans, and dependents of people receiving disability income. The third group, "everyone else," will be a mix of adults who need a little extra help finding a job, together with individuals with more serious problems such as skill deficiencies or personal family problems. (For more detail see the "Findings in Brief" section of the options paper or the appendices.)

III. Simple recommendations on income support for two-thirds of the caseload:

- (i) **Family Unemployment Insurance.** For those who work regularly, we should continue to support their brief periods of unemployment with some cash and some job search assistance. The assistance should resemble the current unemployment insurance system but be more responsive to shorter periods of employment and unemployment which characterize low-income employment for women.¹ In combination with the expansion of the earned income tax credit, healthcare, and universal paternity and child support enforcement, a "Family Unemployment Insurance" program should make supporting a family possible despite the low wages and high turnover in low skill jobs.
- (ii) **Dependents of the Disabled Support.** For those who are not expected to work, provisions should be made for their support outside the new, time-limited AFDC program. This could be accomplished through extending SSI to cover dependents or renaming the disability track within AFDC. We should avoid stretching the definition of disability in ways that undermine the credibility of the program.

Rough estimates indicate that the AFDC caseload could be reduced by half or even two-thirds of its current level by accommodating women and children in the standard programs for disability and unemployment. We are working with OMB to examine various cost options.

IV. Multiple Layered Employment System for the Remaining One-Third.

Since the third group, "everyone else," includes parents with a wide range of labor market problems, our recommendations are more complex (See attached chart). This program which serves only the able-bodied might be presented as a reformed, scaled down AFDC or as an entirely new program which replaces it. Based on the premise that almost everyone in this group could be expected to work, we recommend providing a series of assistance thresholds that act as filters for more expensive services. Up front assessment systems which are caseworker intensive and error prone would not be necessary since service strategies would be guided primarily by the date of their case opening. We would try to get each person into a private sector job with the minimum amount of intervention necessary. States would have a lot of flexibility to design the interventions, but successive intervention strategies would be broadly structured in the following manner:²

¹ In a recent study of working mothers who averaged about 1,000 hours of work per year, only 11% qualified for unemployment insurance when becoming unemployed. (Spalter-Roth, 1993.)

² This approach to the two-year transition period is based solely on a private sector jobs perspective. The issue group which has focused specifically on the two-year period has more expertise with the current AFDC program and may provide a different, more human capital

Two Year Re-employment Program

● Job Search First. For those parents who have never worked or have exhausted their "Family Unemployment Insurance," the first step should be an all out effort for job search. A mandatory, supervised job search requirement will help a proportion of people who simply needed a little extra help with finding a job. If the initial inexpensive strategies like job clubs and resume prep do not work, the state should plan to escalate the job search effort. Job development, interview training, placement bounties, even out-of-town job search should be included in a ladder of services to get everyone to work. America Works provides one possible model for stepping up the job-search effort in a cost-effective, performance-based manner.

OMB indicates that such an alternative might score as deficit reduction based on substantial research indicating the efficacy of job search assistance. Dollars spent on quality job-search programs show much better results than short-term training programs. Experience with a wide range of inexpensive, employment programs indicates that 30 to 40 percent of the participants will probably find employment. Using additional approaches such as relocation and placement fees should increase the success rates. In the section of our paper on research and experimentation, we discussed many creative approaches to job search assistance which could be included in the job search phase.

● Assessment, Long-term Training, or Work Experience as a Last Resort. Rather than spend valuable resources on assessment for everyone up front, we can postpone it until after a concerted effort to find a job. After approximately six or eight months of *continuous*, intensive job search, a skills assessment or development of an in-depth employment plan may be appropriate. At this major checkpoint, counsellors may require enrollment in a training program in order to continue receiving income support. Assessment of skills and family issues may lead to a referral for social services instead. States may want to offer jobs or a service requirement to anyone who wants continued assistance in the first two years without enrolling in training. Work experience at this point in the program should only be offered on a pay per hour basis to flush out those who may have difficulties with such an arrangement.

If training is the preferred option, it should be of a certain kind. Only training programs which require a high school degree or which lead to a high school degree should be eligible in order to avoid many low quality programs. As Larry Katz at the Labor Department has recommended in other policy arenas, we should stop investing in short-term training programs for welfare mothers which show limited short-term results and zero long-term impact. Tuition for longer term training (12-18 months) should not be funded through AFDC or JOBS, but rather Pell grants, loans or other training programs. Continued income support during these programs should be contingent upon satisfactory progress toward completion--not just participation. After the two years, states may opt to continue support for parents progressing in training programs or may expect parents to support their own training through work.

oriented option. Our group's recommendation in this area is strictly aimed at maximizing the proportion of the caseload attaining and keeping private sector jobs.

Individuals who cannot benefit from job search or stay abreast of a demanding educational or work program would not be allowed to stay in a program for re-employment. Drop-outs would receive more intensive social services as described below in the section "After the time limit."

- Job Search Last. Individuals who complete their course or reach the end of their two years on AFDC should become eligible for another period of mandatory or supervised job search up to two months.

After the Time Limit

The number of able-bodied parents who do not find a job before, during or after succeeding in a reputable training program or a pay per hour work experience, is likely to be extremely small. Few parents would reach the time-limit even if training had no effect since we eliminated about two thirds of the caseload to start, and used job search, bounties and other methods to place most of the able bodied parents left. Those who have family problems or emotional problems that prevent work would be unlikely to complete rigorous training or work programs. The number of families who actually graduate from the two year program and do not find a job is likely to be well under 5 per cent of the current caseload.

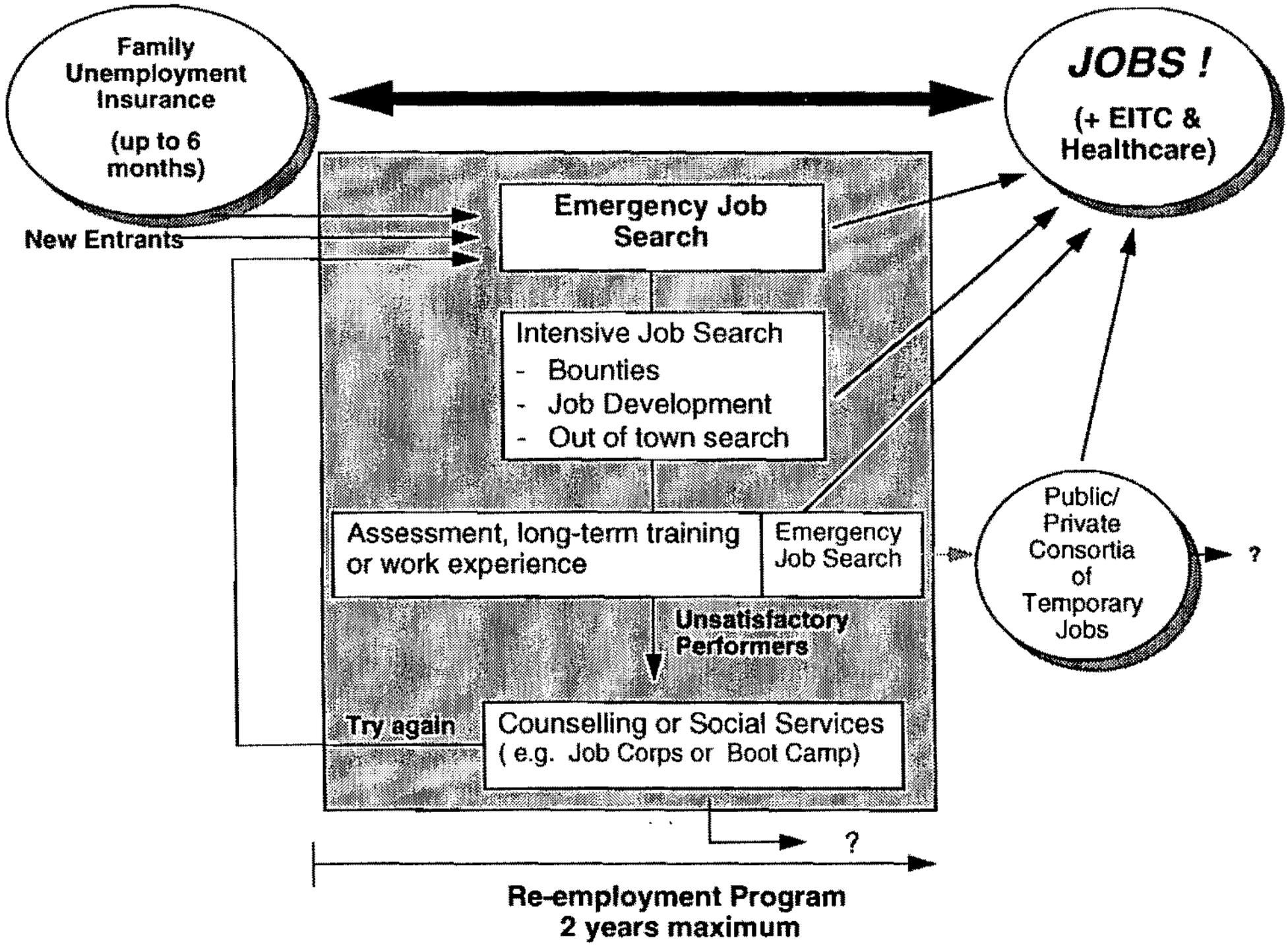
- Temporary Jobs Pool For this group, we recommend creating small pools of temporary jobs based on public-private consortia at the local level. Utilizing the private sector and community groups as employers as much as possible will create better job experiences and reduce overheads relative to public sector employment. Their administrative overheads can be minimized by pooling resources for hiring, screening, and providing initial orientation level training. Subsidies through grant diversion may also be used to encourage employer participation. These *temporary* jobs can be offered to create a checkpoint as to whether the individual is really willing to work. Only a very small number will be needed because most welfare recipients will have already entered the private sector and because the jobs will only be offered on a temporary basis. In addition, only individuals who have had *satisfactory performance* in demanding training or work activities should be offered these "real jobs" at the end of the time-limit: the America Works model could serve this function at the end of the time-limit in addition to being used in the initial job-search phase. Those who have dropped out, entered counselling, and possibly dropped out again, should not be sent to private sector employers without first demonstrating their ability to perform reliably in training or work experience. Income support with a work requirement may be a last resort, but real jobs are not. Private sector employers should not be asked to take those who have refused to participate in everything else. In this "real job" through the consortia, the individual will gain work experience, earn income tax credits, and accrue credits in the "Family Unemployment Insurance" program. This temporary, consortium job should provide an entry into the private workforce.

- Private Sector Jobs. After the time limit parents would be still eligible for family unemployment insurance, earned income tax credits, healthcare, and child support payments.

● Intensive social services such as "Boot Camp" or "Job Corps." The largest pool of workers liable to need a safety net will probably be those who drop out of job search assistance, training programs and work experience programs *before* the two year time-limit. This group is likely to have problems which are more serious than a lack of jobs or skills. Re-assessment for physical or mental disabilities, learning disabilities or other problems should be offered. Intensive social services such as comprehensive family counselling or a supervised, residential program may also be more appropriate than employment services. Projecting the costs of such a program will be doubly difficult. The per person costs will be high and the margin of error will be large. It will be difficult to know in advance whether this group is nearer to 3 percent or 15 percent of the current caseload. There will be tough decisions concerning this population: How much time and resource should be invested to help them? Should it count against the time limit? Our group did not propose a policy solution in this area. Clearly, reserving these expensive services as a last resort option will direct them to those who need them most. Rather than try to assess every person we should try to address the general problems faced by parents in the labor market before looking at the special problems individual parents might face. Those who need intensive social services will identify themselves by dropping out of the central re-employment track.

● What is the last resort when parents will not cooperate? Our issue group was unable to agree on what would happen to parents and children if all supports were not enough: intensive counselling, two-years of training, a temporary job, unemployment insurance, the earned income tax credit, healthcare, and a reliable child support system. Although the employment system described above should get most parents into the workforce, there will always be those who will not or cannot take advantage of the opportunity. The hardest question of all is what to do when nothing else works. We think the question will not be what to do if there is no job, but rather, what happens when parents with no obvious disability do not show up at work, training, or social services? What happens if an individual consistently refuses to cooperate? Focusing on jobs and unemployment issues avoids this core decision.

Ultimately, what is our commitment to children in the extreme case? No clear federal policy on the ultimate safety net for children currently exists: some states provide it, others do not. The welfare reform working group must decide whether to propose any federal guidelines in this area or leave the decision to the states. The section on "Dissenting views: Options and Recommendations" presents the range of views in our group on this subject. At a minimum, states which continue to provide support after the two year time limit should be obliged to require a substantial work or service commitment in order to meet the President's promise of ending welfare as we know it.



Family Unemployment Insurance (up to 6 months)

JOBS!
(+ EITC & Healthcare)

New Entrants

Emergency Job Search

Intensive Job Search

- Bounties
- Job Development
- Out of town search

Assessment, long-term training or work experience

Emergency Job Search

Unsatisfactory Performers

Try again

Counselling or Social Services (e.g. Job Corps or Boot Camp)

Public/Private Consortia of Temporary Jobs

Re-employment Program 2 years maximum

September 30, 1993

Economy and Jobs Issue Group

DRAFT OPTIONS MEMO FOR ECONOMY AND JOBS ISSUE GROUP

How can we increase reliance on private sector work rather than welfare to support children?

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 - C. **Job Creation:** Tax incentives alone are not enough.
 - D. **Training:** Training has moderate, but measurable effects.
 - E. **Fertility and Marriage:** Dependency on welfare instead of support through work is highly correlated with early and unmarried childbirth.
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- II. Consensus Proposal: National Investments in a Family Re-employment System.
 - 1) Earned Income Supplements:
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 - (ii) Unemployment Insurance for Low Income Families
 - (iii) Healthcare Reform.
 - (iv) Mandatory Paternity and Child Support Enforcement.

 - 2) National Opportunity Initiatives:
 - (i) Improve current education, employment and training portfolio.
 - (ii) Create structured two-year system with a drop-out program.
 - (iii) Create a small pool of public-private jobs through a voluntary consortia of employers in the local labor market.
 - (iv) Raise asset limits for means tested assistance.
 - (v) Teach banking, budgeting and saving skills.
 - (vi) Increase access to networks of employment & education opportunity.
 - (vii) Initiate a national campaign to explain the new social compact.

 - 3) Demonstration and Evaluation of Additional Investment Choices:
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III. Differing views: Basic Support for Children

What is the last resort for children of parents who refuse to participate?

Framework for options: As a yardstick for policy goals, we recommend creating an objective, state-by-state measure of the cost of supporting a child. Welfare Reform ought to introduce a new compact explaining which portion of basic child support is the public responsibility and for how long. Currently we do not officially monitor how children are supported relative to a local index. Some states probably pay more than basic support, others less. What will happen after time limits?

Option 1: Pay less than the full support cost after two years.

Option 2: Pay the full support level, but only intermittently.

Option 3: Pay the full amount indefinitely, but require work.

Option 4: Allow consolidation of means-tested funding before and after time-limit.

Option 5: Allow states to apply for Options 1, 2, 3, or 4 and receive approval for an implementation plan.

IV. Appendices (Available upon request)

A. Background Papers

B. Options Presented to the Group

I. Labor Market Findings

The following findings are highlights from the background papers produced by the Economy and Jobs Issue group. Please refer to the background papers in the appendices for more detailed research and analysis.

a) EMPLOYMENT IS AVAILABLE, BUT LOW PAYING, AND SHORT-LIVED.

In the aggregate, the economy is able to supply jobs for those who are currently dependent on welfare. The Bureau of Labor Statistics projects the creation of 24.6 million new jobs between 1990 and 2005. Some of the largest job growth projections are in occupations that tend to hire women and minorities. In addition to new jobs, old jobs will open up due to workforce attrition. In 1991, 5.8 million women found jobs who were not working one year earlier. When job-changers are added to job-finders, the number of new job openings is even larger: approximately 15 million women found or changed jobs in 1991. Not only will there be numerous openings, but less expansion of the labor force is projected over the next decade relative to our experience over the last few decades. Labor force expansion in the last decade has included entry of one million women on average each year. In the next decade, average annual labor force expansion is expected to decline by about 500,000 to a million people. Thus, adding one to three million welfare recipients to the labor force over the next five years is not an unprecedented change.

- **Conclusion #1:** No one could claim to be job ready, willing to work, but unable to find a job for 5 or 10 years continuously. Long-term welfare receipt is not an overall unemployment problem. Jobs requiring low-skill labor are available.

However, these jobs are likely to be low-paying and short-lived. A recent study by the Institute of Women's Policy Research¹ found that over a two-year period, women who mixed welfare and work held an average of 1.7 jobs at an average hourly pay rate of \$4.39 (in 1990 dollars). Their longest jobs lasted 46 weeks on average. They spent an average of 16 weeks on layoff or looking for work during a two-year period. Only 11% receive unemployment insurance, which 50% exhaust. Unemployment rates for single women who maintain families averaged 10.4% between 1980 and 1987; for women in poverty the rate is likely to be higher.²

- **Conclusion #2:** Although parents of welfare-dependent children (especially mothers) can get jobs, these jobs will have low pay. Without the EITC and healthcare the prospect of finding a job which will support children is much bleaker.

- **Conclusion #3:** High turnover in the jobs available to women points to a piece of

¹ Spalter-Roth, Roberta and Beverly Burr. *Supporting Work: The Relationship Between Employment Opportunities and Financial and Other Support Programs* (testimony presented at the public forum of the Working Group on Welfare Reform, Family Support and Independence). Institute for Women's Policy Research, August 19, 1993.

² Statistical Abstract of the United States, 1992. Note that 10% unemployment in the general population would trigger extended benefits up to 40 or 50 weeks.

the welfare reform effort that is missing: we need a form of unemployment insurance for impoverished parents which will reduce the risks of working. So far, no serious work has been undertaken to propose extending the UI system for parents or reforming the AFDC system to provide brief periods of support based on work history.

● **Conclusion #4:** For the men who might marry welfare mothers or pay child support, prospects are also mixed. Over the last thirty years black male joblessness has been roughly double the level of white male joblessness and varied more with the business cycle.³ Blue collar jobs with good pay which had previously been available to men without a college education are rapidly shrinking due to productivity improvements, global competition, and the use of technology with higher skill requirements. Low-skill men will therefore have to compete with women for service and administrative jobs and have to upgrade their skills significantly. A welfare policy which relies on support for children through child support payments must address the issue that many fathers also face the turbulence of low-paying, short-term jobs.

b) **WELFARE RECIPIENTS FALL INTO THREE GROUPS BY EMPLOYABILITY.**

From the perspective of private sector work, there are three types of welfare recipients: Those who society does not expect to work; those who already work; and everyone else. Although estimates vary considerably regarding the size of these three groups, the rough average lies at about one third of the current caseload in each group. (Incoming cohorts of welfare recipients would have a much higher proportion of parents active in the workforce.) Let's examine some estimates regarding the size of these groups.

How many welfare cases involve adults that could not be expected to take private sector jobs? For the 10% of cases in which there is no adult in the household, it seems unlikely that employment assistance is appropriate.⁴ A physical disability and the need to care for a disabled household member are also obvious limitations on work capacity. Estimates range from one in nine⁵ welfare households to one in three⁶ welfare households having a disabled head of household or member. The presence of a disabled head of household or other disabled members does not necessarily preclude work or training participation for the head of the household. A first child under age three might also be considered a legitimate work or training exemption. If so, 51% of the incoming population may have a child under age three with a high proportion of these being first children. Substance abuse problems which impair work and may require long term or permanent treatment are most likely to involve alcohol. Among welfare mothers 12% report three or

³ Handbook of Labor Statistics, 1989.

⁴ Ways and Means Greenbook.

⁵ Child trends estimates using CPS data.

⁶ Adler (1993) using self-reported data. -- (get complete ref from Steve Bartolomei-Hill)

more alcohol related problems such as loss of memory or missed work.⁷ Another recent study found that 9.1% of welfare mothers report binge alcohol use.⁸ Learning disabilities, which affect 25 to 40% of adults on AFDC,⁹ may or may not be an acceptable reason for a work exemption. Even under the most stringent work requirement, about one third of AFDC household heads currently on welfare would probably be exempt.

How many welfare recipients already work on a regular basis? A recent study by the Institute of Women's Policy Research¹⁰ found that over a two-year period 39% of the women who used welfare also worked approximately 2,000 hours.¹¹ Furthermore, many more parents work without reporting it to the welfare authorities. A small confidential study in Chicago found that more than half of the 50 mothers interviewed supplemented their incomes with unreported and sometimes illicit earnings.¹² It would be conservative to assume that 30% of the welfare caseload could go to work immediately in legal jobs if they had a full work support system: earned income tax credits, unemployment insurance, health care, child care tax credits, and child support payments.

After eliminating those who work and those who are exempt from work, who is left on welfare? One-third of the welfare caseload may be physically able to work, but has a tendency toward long-term dependency on welfare. The work experiences of other welfare recipients are not likely to be indicative of the employment possibilities for the two million mothers who tend to stay on welfare continuously for five or ten years. Chronically welfare dependent mothers are more likely to be high school dropouts with very low scores on tests of basic skills.¹³ Though the jobs welfare mothers tend to get are low paying and insecure,

⁷ Child Trends.

⁸ National Institute on Drug Abuse in Cooperation with the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services.

⁹ 1990 Department of Labor Research and Evaluation Report.

¹⁰ Spalter-Roth, Roberta and Beverly Burr. *Supporting Work: The Relationship Between Employment Opportunities and Financial and Other Support Programs* (testimony presented at the public forum of the Working Group on Welfare Reform, Family Support and Independence). Institute for Women's Policy Research, August 19, 1993.

¹¹ There is a stock versus flow measurement issue involved. The percentage of women on welfare at any one time who work 2,000 hours over two years would be smaller than 39%.

¹² Kathryn Edin in Christopher Jencks, *Rethinking Social Policy: Race, Poverty and the Underclass* (1992). Harvard University Press.

¹³ See David Ellwood's tables on youth AFDC cyclers and stayers and Institute of Women's Policy Research reports on welfare and work: cyclers, combiners and dependents.

as many as half of the mothers on welfare may be significantly underqualified for similar jobs. Welfare-dependent mothers are less likely to have job experience and more likely to face discrimination in the labor market.¹⁴ This group is likely to include those who need a little extra help and encouragement as well as those who have intensive emotional, disciplinary or social problems.

c) TAX INCENTIVES ALONE ARE NOT ENOUGH FOR EMPLOYERS.

Employer incentives to hire welfare recipients have traditionally come in the form of targeted tax incentives. We find that the value of the tax incentive is often outweighed by the amount of paperwork required and the stigma attached to hiring welfare recipients. If targeted tax incentives are to be effective, they must be accompanied by additional services such as screening, preliminary training, or a probationary work period.

The evidence clearly indicates that tax incentives alone are not enough. Lerman¹⁵ notes that under both the WIN program and the TJTC, only a small fraction of the employers claimed credits for which they were eligible. Burtless¹⁶ conducted an experiment with employer vouchers for hiring disadvantaged workers. Members of the control group who had no voucher payment to offer had more success in obtaining employment. Employers did not want to hire workers marked as "damaged goods" despite generous voucher payments, some of which could be redeemed as cash instead of tax credits. In addition to the stigma explanation, Bishop and Kang¹⁷ explain the low employer participation rates in incentive programs by the high level of administrative costs for processing the incentives.

On the other hand, tax incentives can be packaged together with other employer incentives to provide an attractive overall package.¹⁸ The stigma problem may be overcome by providing subsidized recruiting and screening as well as the initial training and support in

¹⁴ Institute of Women's Policy Research. Testimony cited above.

¹⁵ Lerman, Robert. "A Comparison of Employer and Worker Wage Subsidies" in Robert Haveman and John Palmer, *Jobs for Disadvantaged Workers: The Economics of Employment Subsidies*, The Brookings Institution: Washington, D.C., 1982.

¹⁶ Burtless, Gary. "Are Targeted Wage Subsidies Harmful? Evidence from a Wage Voucher Experiment." *Industrial and Labor Relations Review*, Volume 39, Number 1, October 1985, pp. 105-114.

¹⁷ 1991 *****

¹⁸ Ernst and Young report on the value of America Works placement services. Forthcoming. The study indicates that employers may save as much as \$2500 per person by hiring through America works.

a new job.¹⁹ Some employers have suggested a one-year exemption from the health care mandate for ex-welfare hires. In addition, employers can screen applicants further if allowed to hire the workers on a temporary basis before committing to permanent employment. Any federal assistance to promote bundling tax incentives with other employer incentives must be flexible enough to allow local markets to shape services for employers.

d) **TRAINING HAS MODERATE, BUT MEASURABLE EFFECTS.** Although low skills are a severe problem, training programs are not a quick fix for welfare dependency.

Inexpensive programs (\$100-1500 per person) provide short-term job search assistance, remedial education, vocational education or work experience. Despite variations in economic conditions and program design, the majority of the evaluations show some improvement in earnings, employment, and welfare exits in comparison to a control group.²⁰ However, even the most successful programs only raised employment levels from 24 percent in the control group to 35 percent in the training group. Thus, the training program only changed the outcome for about 10 percent of the group. While this improvement is worth achieving, it does not help the two-thirds of the group who would not get a job on their own or with the help of a training program. Additional caveats: 1) Exit rates from welfare tend to improve even less than employment rates. 2) The control group in the San Diego SWIM study caught up with the trained group by the fifth year after training.²¹ 3) Neither the most job-ready nor the least job-ready benefit from inexpensive training as much as the middle group: the most job ready will find jobs anyway, and the least job-ready do not tend to get jobs after a quick program.²²

More expensive, targeted training programs, such as the home health care aide demonstration, can cost from \$4,300 to \$8,700 per participant. Although intensive training programs tend to have less impact on rates of employment, they create larger boosts in earnings for those employed. Participants in the Home Health Care training increased their earnings by \$1,200 or \$2,600 per year.²³ In contrast, inexpensive job search or work experience programs tend to raise earnings on average by \$400 or less.²⁴ Intensive programs may be able to increase actual wage levels, while inexpensive programs simply increase hours worked.

Thus, even if we could afford to put every person on welfare through a quick or an

¹⁹ Supportive work demonstrations from the 1970s have had strong impacts on job retention and later employment. See background papers from the Transition Issue Group for references.

²⁰ Friedlander and Hamilton. Gueron.

²¹ Friedlander and Hamilton.

²² Gueron and Pauley.

²³ Bell and Orr

²⁴ Gueron and Pauley.

intensive training program, two thirds of the eligible participants could end up unemployed at the end of the program. Getting the recipients into a job in the first place, may be a better route toward training and self-sufficiency. On the other hand, the historical training data may not be applicable in a truly time-limited system or a system with serious performance requirements. Education and training may have a much larger impact on employability in a time-limited system because participants and administrators would try harder; and employers might be more willing to participate in hiring and training more highly motivated, entry-level workers.

e) **DEPENDENCY ON WELFARE INSTEAD OF SUPPORT THROUGH WORK IS HIGHLY CORRELATED WITH EARLY AND UNMARRIED CHILDBIRTHS.** Marital status of mothers at the first time of welfare receipt is one the best indicators of long-term dependency. This should not be surprising since it is harder to pay for food, shelter, and daycare with one salary than two. Even if one parent does not work, he or she can contribute to family income by eliminating the cost of day care. Two earners in a low-income family also can reduce the fluctuation in income caused by bouts of unemployment. It is an obvious but often forgotten conclusion that a child with support from two parents has more resources than a child with support from only one or the other.

Early childbearing also is highly correlated with a tendency toward long-term welfare dependency. Among women who are age 25 or older at the birth of their first child, only 4% rely on welfare for more than a third of the child's first five years. The comparable statistic for welfare dependency among women 15 or younger at first birth is 47%. Even among 18 and 19 year olds, 26% will be welfare dependent for over a third of the first five years.²⁵ As a result of dependency created by teen childbearing, over half the total costs of AFDC go to cases in which the women entered AFDC as a teen parent.²⁶

f) **WE DON'T KNOW WHERE IN THE CYCLE OR HOW MUCH INTERVENTION IS APPROPRIATE.** Only in the last decade or two have we begun to measure rigorously the results from our adult training programs and our early intervention programs such as head start. Although we have estimates on the returns to each of these programs, we do not have a way to compare the relative marginal investment returns. Is an extra dollar better spent in head start, high school or adult education? In the absence of a marginal investment theory, we are turning toward programs that help adults and children at the same time, such as parenting programs, WIC, family literacy classes, and head start.

²⁵ Kristin Moore, (1993) Child Trends Analysis based on NLSY 1979-1988 data. Total sample with a birth in 1979 cohort (weighted percentages).

²⁶ Moore, Kristin A. and Martha K. Burt, *Private Crisis, Public Cost: Policy Perspectives on Teenage Childbearing*, The Urban Institute, Washington D.C.

Quint, Janet C., Denise Polit, and Cynthia Guy, *New Chance: Laying the Groundwork for a New Demonstration to Build Human Capital among Low Income Young Mothers*, MDRC, NY, NY November 1986. et.al.

II. Consensus Proposal: National Investments in a Re-employment System.

This section provides an overview of the re-employment system outlined above in more programmatic terms. Although the group agreed that all of the initiatives described above were good investments for creating a job oriented system, three of the proposals were unique to the private sector jobs mission of our group: the Jobs Consortia, the two year reemployment program, and the family unemployment insurance. These three proposals are highlighted in the list below and described in more detail in the five page executive summary. Follow-up proposals with more detail will also be developed upon request.

1) **EARNED INCOME SUPPLEMENTS**--Some of the new investments supplement earnings for parents who work:

(i) **Earned Income Tax Credit Expansion.** Under the reconciliation budget, incentives to work have been expanded through refundable tax credits. When the change is fully phased in the maximum assistance will rise approximately from \$1,900 to \$3,400 for a family with 2 or more children. For a full time worker the expanded EITC can add as much as \$1.70 per hour.

(ii) **Unemployment Insurance for Low Income Families.** Making work pay involves not only raising the returns to work for parents, but also filling in the inevitable unemployment gaps. In the low-end labor market most jobs last less than one year. Wage subsidies in combination with wage insurance could create a viable self-sufficiency package at least one-third of the welfare population.

(iii) **Health Care.** Access to healthcare will remove the disincentive to work resulting from lack of health care coverage in low-wage jobs.

(iv) **Mandatory Paternity Establishment and Child Support Enforcement.** Linking support for children to two parents insofar as possible should decrease the dependency of children on welfare. Special care must be taken to ensure that enforcement policies do not create a disincentive for fathers to work.

2) **NATIONAL OPPORTUNITY INITIATIVES**--Other investments should be aimed at expanding and streamlining access to self-sufficiency opportunities:

(i) **Jobs Consortia.** When the time limit ends, welfare recipients who remain unemployed should be offered a temporary job. A small pool of jobs could be provided by a local consortia of public and private employers instead of launching a new, purely public-sector program. Utilizing the private sector

and community groups as employers as much as possible will create better job experiences and reduce overheads. Many companies--non-profits and profit-based--have expressed an interest in forming consortia for hiring, training, and recycling funds invested in welfare recipients.

Many variations are possible. In Canada, the Human Resources Development Association formed an investment group which uses welfare funds to invest in small companies who hire and train welfare recipients. In another model, a fund is set up which pays wage subsidies during a training period and then collects money back from the successful graduates of the program. Governor Wilder has requested permission to set up a revolving trust fund which could provide a menu of rewards to employers including tax breaks, reimbursements for training, or one year of health insurance payments.

Setting up these partnerships opens up the possibility to attract private capital to invest in a tremendous latent resource: welfare recipients who want to work. Investors can reap the rewards from providing services which help businesses, help parents, and save tax dollars.

State and local creativity should be encouraged for setting up public-private partnerships to provide temporary jobs at the end of the time limit. The key is to connect local labor market employer networks voluntarily to low income job seekers.

(ii) Transform JOBS+AFDC into a two-year, re-employment system with a drop out provision. Everyone who is left on welfare and is considered able to work should only be paid for the hours which they participate in re-employment activities such as supervised job search, work experience, education or training. Parents who drop out of this highly structured program should receive intensive assessment, counselling and a much narrower set of options.

(iii) Improve current education, employment and training portfolio. The federal government already invests over 15 billion dollars on second chance programs: Job Training Partnership Act programs, Pell grants, Job Opportunity and Basic Skills program, Job Corps, and hundreds of other programs. The current initiatives to streamline improve and expand these programs should have more effect than any new welfare training program. Improvements suggested by our group include: (a) more emphasis on high quality, on-the-job training; (b) more emphasis on the 20 occupations projected by the Bureau of Labor Statistics to have the most job growth; (c) more emphasis on public-private partnerships to create work experience opportunities.

Of course, the best solution would be to make the programs more effective the first time around. Early interventions such as Head Start and better schooling opportunities in the inner cities are ultimately the best ways to tip the balance from welfare to work.

(iv) **Raise asset limits for means tested opportunity programs.** In the campaign the President called for an increase of asset limits to \$10,000 from the current \$1,000 limit which is out of date. This would prevent families from having to hit bottom before we can offer them any help. Higher asset limits also would enable welfare recipients to save money while on welfare and build up a cushion against future crises that could put them back into a desperate position.

(v) **Teach banking, budgeting, and saving skills.** Managing work, childrearing and homemaking on a tight budget is no easy trick. Experience at New Hope shows that recipients need and want to learn about using checking accounts, ATM machines, and credit cards. Basic education on financial management could be offered through Community Development Banks or other public-private partnerships.

(vi) **Increase access to networks of employment and education opportunity.** Discrimination and the isolation of minority and poor children in separate schools and housing prevent many from reaching the first rung of ladders of economic opportunity. Job networks and higher education opportunities are often too far removed from the everyday experience of poor and minority youth and families in areas of concentrated poverty. Although specific initiatives along these lines may not be specifically linked to welfare reform, it should be made clear that isolation from ladders of economic opportunity is one of the contributing factors to welfare dependency.

(vii) **Initiate a national campaign to explain the new social compact.** The public in general and young people in particular will need to be informed of the changes in the social compact. The choices faced by teens today will be tougher than those faced by their parents. Boys who father children will have a lifetime financial responsibility which cannot be dodged. Girls who have children will no longer be entitled to an 18-year salary at government expense. Raising public awareness of the new compact of responsibility and opportunity will help some youth to avoid difficulties and garner support for temporary assistance to those who make mistakes.²⁷

²⁷ In addition to these national programs, about half of the group was also in favor of national child support assurance and child care subsidies to encourage private sector work; others felt that statewide demonstrations were more appropriate for assurance and child care, given the high costs and unmeasured effects on the incentives for self-sufficiency.

3) DEMONSTRATION AND EVALUATION OF OTHER INVESTMENTS:

In addition to the basic elements of a re-employment system, we need to invest in creative approaches and flexible state options. We list below five areas which are high priorities for further investment and experimental research. In each area, a research plan is needed to clarify the investment objectives and our current level of understanding. Federal funds and waivers ought to be earmarked for projects in these areas proposed by partnerships including government officials, community groups, and private sector participants.

- (i) JOB CREATION AND EMPLOYMENT INCENTIVES
- (ii) SAVINGS AND EMPOWERMENT STRATEGIES
- (iii) IMPROVING ACCESS TO JOB NETWORKS
- (iv) TEAM-BASED APPROACHES
- (v) INCENTIVES FOR SOCIAL WORKERS

In each of these important areas, we need more experience and evaluation of how to effectively use federal money--not just ad hoc waivers and demonstrations. Each of these topics is discussed below.

(i) JOB CREATION AND EMPLOYMENT INCENTIVES

Many employment incentives have been tried, but few have been rigorously evaluated. Only one study has ever evaluated targeted tax incentives for hiring. Successful programs that act as temp agencies for welfare recipients and charge a fee for permanent placements have not been evaluated at all. We strongly recommend that innovative new approaches be evaluated with randomly assigned control groups. Here are some of the approaches which should be evaluated:

- Package employer tax incentives with other inducements for hiring welfare recipients.
 - The America Works Corporation packages tax incentives with wage subsidies over a six-month trial period of work. America Works staff train and support the worker during the trial period. If the worker performs well, she is permanently placed in the job and America Works collects a placement fee of about \$5,000 from the welfare agency.
- Provide subsidies through vehicles other than the tax code.
 - Local consortia to mix public and private funding for temporary jobs would allow wage subsidies and other employer incentives to be negotiated at the local level.
- Pay wage subsidies directly to individuals instead of employers. Many variations are possible:
 - Permit part-time work or temp work during welfare. (With time limits, the

issue of mixing welfare and work is a very different one.)

- Provide child support assurance or a refundable child care credit.
- Pay employment bonuses to welfare recipients for finding and keeping a job.
- Use targeted incentives in a new way: through government contracting.
We could provide preferential treatment for service providers who hire a minimum percentage of welfare recipients. We can leverage government funding for child care, substance abuse treatment, home health care, maintenance of public housing, and more. Let service providers compete to serve welfare recipients by hiring and training some of their customers. Such a program could be extended to all government contracting in the same way that we currently favor minority and women owned businesses. At a minimum we should demand that new spending on day care lead to some job creation for welfare recipients.

If proven effective, these initiatives could help welfare dependent adults to get work experience in real jobs in order to increase their employability.

(ii) SAVINGS AND EMPOWERMENT INCENTIVES

During the campaign the President advocated helping welfare recipients to become self-sufficient through saving and empowerment strategies as well as through work and training. Our group recommended higher asset limits and financial education as part of the national welfare agenda. Once welfare recipients are allowed to save and encouraged to take advantage of the regular financial services and saving opportunities available to the general public, some research and evaluation could determine whether additional incentives would effectively promote self-sufficiency.

- Savings Incentives: New saving vehicles such as Individual Development Accounts or Community Development Bank/Certificates of Deposit could be established with matching federal money incentives. Use of these funds could be limited to training or entrepreneurship. In addition, welfare recipients could be allowed to earn extra money without losing any benefits if the money is placed in a personal development account. (HUD experiment? ask Mark Gordon or Cuomo)
- Empowerment Incentives: Research has shown that only a tiny fraction of the welfare population can successfully launch their own small business. However, there may be ways to expand opportunities for ownership and self-determination to a larger scale.
 - Cooperative franchises could provide a blueprint for success and some risk sharing in order to increase success rates. In a cooperative franchise, the workers share ownership with a regional or national entrepreneur who can provide the management and financial skills necessary to allow the hard work of the worker-owners pay off. In

day-care businesses, for example, many mothers could succeed with such support.

- **Community Investment Corporations** could allow residents to pool their money and team up with managers and entrepreneurs to revitalize the community. Since residents would have voting rights and a financial stake in the Corporation's success, they would work hard as employees and provide a loyal customer base. Returns from the venture would stay in the community.

- **Employee-Owned Companies** like the Worker Owned Sewing Company in Massachusetts are built on the sweat equity of poor people. It now handles multi-million dollar clothing contracts for K-mart and others. Why can't women on welfare use their latent work efforts to build equity instead of raking leaves for the Parks and Recreation Service?

If the future holds only long hours, low pay, and little job security, how can we expect women to get motivated and work hard? Creating opportunities for welfare dependent families to earn equity in a thriving venture may provide hope for participating in the American Dream which we take for granted. It just might motivate a family to try harder.

(iii) IMPROVING ACCESS TO GOOD-JOB NETWORKS

A major problem for the urban poor is the lack of access to networks for finding jobs. Studies of how people find work consistently conclude that the most common method for finding good jobs is a referral from friends or relatives. To provide such referrals, friends and relatives must themselves be employed and be a credible reference. The concentration of unemployment in poor neighborhoods or housing projects makes it difficult for the urban poor to make use of this highly productive method of job search. Instead, they must rely on formal methods of job search such as want ads and state employment development offices. The overrepresentation of the least advantaged among the population using these methods drives employers offering good jobs away from them. This intensifies the job-finding problem.

The research in this area does not provide us with clear insight into which policies are most effective for improving access to good-job networks. Efforts can be focused on improving access to informal networks or improving the quality of formal job networks.

● Informal Job Networks.

- **Brokers.** Welfare and youth employment practitioners emphasize the need for an intermediary broker. This broker can develop personal relationships with employers (near and far) and provide a credible recommendation for someone who would otherwise be stigmatized. Successful job developers or brokers generally have a business or sales background rather than a social work orientation. Such brokers or job developers may help youth and women with little job experience to access the informal job network.

- **Gatreaux.** Another method of improving access to informal networks is through

moving to opportunity programs. Moving out of concentrated poverty areas can increase the probability of the mover's having friends and neighbors who work and can provide job referrals. As a group, we support national program development for moving-to-opportunity programs based on the positive results for children demonstrated in the Gatreax project. In addition, the potential of Gatreax to impact employment over the long-term may be greater than in most welfare to work training programs.²⁸ It is unclear, for example, whether moving nearer to jobs is as important as moving nearer to people who work. If we step up the expectation to work, it will be more important to understand the impact of housing location on the ability to find work.

● **Formal Job Networks.**

- One Stop Shop. The new One Stop Shop initiative can provide disadvantaged neighborhoods with access to a job network through small, competitive, local offices linked together by computer networks. In these offices people can find out about local or regional labor market information, get job counselling, find out about training opportunities, and receive job search assistance. The key to ensuring that One Stop is a high quality job network is getting the buy-in from employers and middle class employees through attractive, high quality, competitive service. In addition to competitive bidding for one stop franchises, the Department of Labor plans to encourage One Stop vendors to provide fee-based services to employers such as screening, recruiting and supplying labor market information. Formal networks may also be improved by the skill standards initiative which will create objective skill standards and credentials for those who do not have four year degrees.

- Job Banks. A requirement to list jobs with the employment service job bank may be worth considering despite the controversy which it would generate. Without the job listing requirement job banks tend toward a destructive equilibrium. Employers with good jobs do not use job banks so employees with good skills do not use job banks. If listings were mandatory, it would attract a better pool of workers and make the service more useful to employers. Many European countries have job listing requirements which are estimated to have compliance rates ranging from 30 to 70%. Incentives to use job banks rather than a mandatory requirement might also be a way to reach a more positive equilibrium.

- New Formal Networks. Many jobs are not pre-existing slots; they are created to fit people. Formal networks should try to 1) showcase people as well as jobs and 2) bring employers and job seekers together in social settings. Alternative networks which could receive more support include: job fairs, video resumes, television programming, and subsidized employment newspapers.

Many of these job network initiatives are already planned and could be utilized by the welfare population. For example, the new School-to-Work initiative encourages states to incorporate the role of "career counsellors" as brokers. The Department of Housing and

²⁸ Rosenbaum, James. "Black Pioneers---Do their moves to the Suburbs Increase their Economic Opportunity for Mothers and Children?" Housing Policy Debate. V. 2 Issue 4.

Urban Development is planning to expand their Moving-to-Opportunity programs. The Department of Labor could also work on ensuring that disadvantaged neighborhoods have access to One-Stop centers without jeopardizing the middle class buy-in. Certainly, career offices in schools of all neighborhoods could link up to the One-Stop information networks. Skill standards, when developed, will also be accessible to the welfare population. All of these services will not only be available to mothers and potential mothers, but also to fathers and potential fathers. We recommend rigorous evaluation of these alternatives for increasing access to high quality job networks.

(iv) TEAM-BASED APPROACHES

The current welfare system isolates women and children in a desperate situation. We require that they not have husbands unless they meet the stricter Unemployed Parent test. When we offer career assistance, we examine only one case at a time. Women are assigned community work service "slots" in an assembly line fashion. As modern corporations are shifting from mass production assembly lines to flexible teams of empowered workers, welfare could also rely more on a flexible teaming approach:

- Residential College: Provide a physical setting in which women can work as part of a team. Cooking, child care, and other jobs in the community could be shared to reduce costs. Training could be offered without expensive overhead for child care and transportation. Such a community could probably be supported with the equivalent of welfare, food stamps and housing benefit. If it provides a safe place to live and good training, it would be a popular element in a two-year, "hand-up" welfare program.
- Team oriented JOBS: Emphasize job clubs, child care clubs, shared housing and other forms of mutual support as part of the existing JOBS program.
- Self-managed teams: Instead of assigning women to community work slots, teams of women could compete for pre-defined work contracts. As long as the contract specifications were met, there would be no need for expensive and demeaning supervisors. Providing more responsibility, freedom and respect would help build real world skills.
- Caseworker assistants: We frequently hear that caseworkers are overloaded and therefore cannot invest the time to help women rebuild their lives. We could recruit job-ready welfare mothers to work as case worker assistants to help other mothers solve more severe problems and become job ready.

(v) INCENTIVES FOR SOCIAL WORKERS & MANAGERS

Most of the discussions on welfare reform revolve around the incentives for welfare recipients or to a lesser extent around the incentives for employers. A key ingredient in helping welfare recipients make the transition to self-sufficiency is the incentive structure for social workers and welfare program administrators. In the testimony during the Welfare Reform hearing in Washington D.C., recipients described welfare workers, rules and systems

as being hostile to women who took steps toward independence. In addition to changing the rules and the system, it is worth adding incentives for the caseworkers and JOBS personnel to help move their clients to work onto the research agenda.

Here are a few examples of ways to redesign welfare or JOBS administration to change the incentives:

- Work Support Agency. Separate the welfare administration from the administration of job assistance and subsidized jobs. This concept has been discussed as a new Work Support Agency, possibly run by the Department of Labor instead of HHS. This would allow staff on the job assistance side to spend less time worrying about income verification and eligibility and more time on getting people to support their children through work. The drawback is that it would create a new layer of bureaucracy at a time when we are trying to slim down and cut costs.

- Modernization. Use technology and process redesign to reduce dramatically the amount of time spent processing paper. This would allow current staff to spend more time helping people instead of pushing paper.

- Include private groups. Allow non-profits and private companies to augment welfare programs by becoming part of the program. Toby Herr of Project Match has outlined a system in which welfare recipients could get work or education participation "credit" in their case for working with outside groups. For example, a mother who volunteers at school, church, or head start can get work hour credits if she is on time and a good worker. This allows individuals to find a supportive niche and build their own program rather than assigning women to make-work slots.

- Performance bonuses. Pay organizations for helping recipients get off and stay off welfare. Allow non-profits, private, and even government offices to compete for the funds. Recipients could choose an organization for casework. Payments could be performance based. However, we cannot pay a fixed bonus for all placements since some people are less likely to find jobs than others. Performance bonuses would pay all programs such as Project Match, America Works, One Stop Shop and the JOBS program for getting women in jobs that last.

III. Differing views: BASIC SUPPORT FOR CHILDREN

Summary: Once we cleared away the consensus areas, this issue remained at the heart of the private sector jobs issues. In various forms, we agreed that the incentive to work for able-bodied adults would be increased by widening the gap between the minimum level of assistance for children and the rewards to work. This means raising the rewards to work or lowering the floor. We favored "Make Work Pay" strategies that increased rewards such as the EITC and health care reform. Further increases in the rewards to work could be offered through employee subsidies and AFDC-based earnings disregards. We recommend raising the rewards to work within the budget constraints.

On the other hand, lowering the floor will also "Make Work Pay." Ultimately, there must be a minimum level to which benefits fall when parents refuse to try to become

employed and self-sufficient. The axis on which our views differed was according to how low the floor could be allowed to drop in order to provide an incentive for able-bodied parents to take private sector jobs.

Framework for options: Our group was very concerned about the impact on children of a potential reduction in security for children of single parents. The following framework serves to lay out the range of options discussed:

- As a yardstick for policy goals, we recommend an objective measure of the cost of supporting a child.

Each state should annually publish the minimum cost of supporting 1, 2, or 3 children in their state based on a common bundle of goods and services. For example, the bundle could include: food, housing, utilities, day care, night and holiday care, transportation, clothing, etc. States could publish an objective cost measure such as the average expenditure on the bundle of services in the bottom quartile of households in the state. This number (or a multiple of it) could be used as an index for child support awards in each state as well as for the welfare assistance options outlined below.

- Welfare Reform ought to introduce a new compact explaining which portion of basic child support is the public responsibility and for how long.

Require states that use federal AFDC money to ensure that first-time welfare recipients receive a bundle of cash and services equal to or greater than the basic cost of support for children. This would differ markedly from the current program in that AFDC benefits would be higher or lower depending on whether housing or other benefits were available. AFDC would serve to top up the budget to a basic, state-determined level of support rather than provide a fixed payment. Taking advantage of existing employment and training assistance would be easy if the cost of living--including child care--was really covered.

After two years, the public would no longer be expected to provide full support for the children--their parents are expected to support them through work. Once parents have used up their "hand up" assistance, the support for children includes a clear expectation that able-bodied adults will work. Any further assistance after the initial two years would be contingent upon having a child support order in place or an exemption. This new understanding of the social welfare compact could take at least four forms:

Option 1: Pay less than the full child support level after two years.

Within federal guidelines determined by the welfare reform effort, states could provide less than the full child support level. The partial payment of the basic child support would not be expected to support the family indefinitely. Assistance in this case might be used to tide the family over a crisis while they stayed with friends or in a shelter. After two years of a "hand up" the state would not be responsible for

providing full support to children with one or two able bodied parents.

Any income over the welfare assistance should be disregarded up to the basic support level since the children will need the money to survive. Temporary, subsidized jobs could be provided in high unemployment areas with a higher federal match rate and incentives to relocate.

This is the only option in which long term recipients are paid less money than new entrants to the system. Federal guidelines would need to cover three aspects of the system:

- 1) Benefits differential: At one extreme, states could implement a program which dropped off to zero benefits. Federal guidelines might require an unemployment insurance program aimed at this population or some other supports in exchange for allowing benefit termination. Alternatively guidelines could be designed to set a minimum level to which benefits could drop; states with benefit levels below the minimum could not utilize the option to cut benefits. A variety of other federal guidelines could be imagined to regulate the difference between the maximum and minimum benefits.
- 2) Benefits slope: States could choose to design the system so that individuals faced a gradual reduction in benefits or an immediate change. In order to implement steeper slopes, states might have to demonstrate accelerated investment strategies such as intensive training programs, access to day care or providing jobs for those who do not find work.
- 3) Phase-in strategies: Federal guidelines might restrict major changes to new entrants only. Gradual benefit reductions which did not fall to zero might be phased in for the population as a whole.

Justification: This would put the responsibility for finding work on the shoulders of able-bodied parents in the same way that it falls on able-bodied, childless adults. However, it leaves a partial cushion that is not available to childless adults or two-parent families. The size of the cushion would be determined by the federal or state guidelines spelled out in the welfare reform legislation.

Option 2: Pay the full support level, but only intermittently.

After two years, single parents could be provided full child support on the same terms as two parent families. Eligibility should be temporary and based on a work history. In order to place single and dual parents on an equal footing, such a policy might involve provision of affordable child care for single parents or exemption of single parents with children under school-age and no child care.

Justification: This would put responsibility for single mothers to work on a par with our expectations for two parent families. Children in both one- and two-parent families should be afforded more protection from unemployment than we provide for adults. Although we can justify more assistance to adults with children than without children, we can no longer defend dramatically different expectations for single or dual

parents. Women (or single parents) are no longer expected to stay home with their children.

Option 3: Pay the full support amount indefinitely, but require work.

After two years, states could continue to offer full child support packages with a work requirement. Some feel that work must take the form of a "real" job. Others believe that certain parenting activities should count as a valuable work contribution.

Justification: This would give significantly less responsibility to single parents to find jobs relative to two-parent families or childless adults. However, it preserves the assumption that single parents have an obligation to work.

Option 4: Allow consolidation of means-tested funding before and after time-limit.²⁹

Preventing hunger and homelessness among children—providing them with basic support—is not a question of how much AFDC can be cut after two years. In the current budget environment, basic support for children will require shifting funds from numerous means-tested programs, including education and training programs. In-kind assistance programs force destitute families to overinvest in housing, healthcare, food or education. If the resources from these programs could be pooled, jobless families could be offered a decent income with incentives for various behaviors. By focusing only on AFDC aid, we will do little more than place more hardship on families. In the initial two years, not enough funds will be available in the AFDC program alone to provide a true second chance. Reducing assistance or requiring work is just less after too little basic support.

We are focusing on a program that spends about \$20 billion each year. Of that total, we may believe that only 25% of the families have an adult who could work instead of accepting welfare. Since getting that population to work will probably cost at least as much as AFDC, we are pouring our energy into a budgetary differential of about \$1 or 2 billion either way. While AFDC recipients receive over \$100 billion each year in assistance, AFDC reform will likely affect the spending of only \$1 or 2 billion annually. Although one or two billion is a small budget slice, a billion dollar conversion from clothing to social work could significantly harm the well being of families.

Option 5: Allow states to apply for Options 1, 2, 3, or 4 and receive approval for an implementation plan. States could choose to shape the individual's transition from full child-support to partial support as a gradual or immediate change. States may choose to shift some resources out of housing or food stamps into wage supplements or income support. States would outline funding levels and strategies for employment,

²⁹ It is interesting to note that this option brought together the most liberal and the most conservative members of our issue group. In addition, the unofficial Republican welfare reform proposal also touts a "block grant" concept as an option for states to increase flexibility.

income support. States would outline funding levels and strategies for employment, training and public jobs. Phase-in strategies from the current system may vary as well.

Justification: Differing strategies may be appropriate in different states or even different communities. Option 1 may be suited to large, highly populated states with turbulent job markets, whereas Options 2 or 3 might be more appropriate in rural states with highly seasonal work or less employment turnover. Option 4 may be helpful for very poor states in which the other options would have little effect.

Recommendation: The goals, not just the rules, should be clear and based on the cost of supporting a child. State-by-state, empirically based cost estimates would be more useful for calibrating an appropriate assistance policy than a national poverty level. The fate of children would not depend on winning a lottery for housing or other benefits. Clarifying the difference between our expectations for self-sufficient parents (the poverty line) and the basic cost of supporting kids (the basic child support level) would increase the incentive for parents to move into a private sector job.

As already mentioned, our group did not reach consensus regarding which option is appropriate. Currently, some states allow benefits to fall far below any reasonable measure of basic support for children. The working group will have to decide whether to formulate an official policy or to leave the status quo alone.

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IV. Appendices: Available upon request.

A. Background Papers

- 1) Job Outlook for Welfare Recipients (Lucas and Deane)
- 2) Welfare Recipients as Employees (Lucas and Deane)
- 3) Wage Subsidies (Gillingham)
- 4) Job Training and Job Development (Nicholson and Lah)
- 5) Savings, Assets and Empowerment (Stiglitz) (Not completed)
- 6) Economics of Early and Single Parenting (Deane and Bavier)
(Not completed)

B. Options Presented to the Group

- 1) Jobs Consortia
- 2) Family Unemployment Insurance
- 3) Individual Development Accounts
- 4) Community Development CDs
- 5) Education, employment and training model
- 6) New Foundation
- 7) America Works & TEE demo
- 8) 3 Tier System for 2 yr re-employment
- 9) The "Hill"
- 10) Residential College Opportunity
- 11) Guaranteed student loan Mentors
- 12) Disregards
- 13) Sub-minimum wage

THE WHITE HOUSE
WASHINGTON

Magaziner
Reed
Way
Cerde
Heenan
Margherio
Sampson
Schmidt
Strong
Weinstein

June 16, 1993

Cathy-

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Kathi Way
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco

SUBJECT: Preliminary Issues for Welfare Reform

Please distribute to
Program staff with
note: as mentioned
by Carol is being mtg.
today. Thanks
for

Last week, we officially announced a welfare reform working group made up of officials from the White House and the agencies. We have met with key members of Congress in both parties, and are working with an advisory group of governors and other state officials on recommendations that they will present to you at the NGA meeting in mid-August. In the meantime, we will begin a series of public hearings and site visits to promising welfare reform programs around the country.

Our goal is to have a welfare reform plan ready by the fall, for introduction late this year or next January, as the centerpiece of your 1994 State of the Union address. If you would like to move more quickly, please let us know.

We intend to build the welfare reform plan around the themes you set forth in the campaign:

- Making Work Pay, through an expanded EITC and health reform.
- Dramatically Improving Child Support Enforcement, by increasing paternity establishment at birth, improving the collection system, requiring absent parents to take responsibility for their children, and perhaps testing some form of child support insurance.
- Better Education, Training, and Support, by building on the JOBS program to ensure that people have access to the tools they need to escape welfare, and begin to integrate welfare mothers into the larger system of education and training.

* Transitional Time-Limited Welfare and Work, by replacing the current system with one that enables and requires people who can work to go to work.

We have set up 10 working groups to address the major components of a welfare reform plan: 1) Making Work Pay; 2) Child Care; 3) Child Support; 4) Absent Parents; 5) Post-Transitional Work; 6) Transitional Support; 7) Private Sector Job Development; 8) Program Simplification; 9) Prevention/Family Formation; and 10) Modeling.

As we proceed with this project, we would like your general thoughts on how to go about ending welfare as we know it. To begin with, we would like to take up a few pivotal issues:

- * How bold? Should we reform welfare or replace it?
- * What should time-limited welfare look like? Who should be required to work, what should be done to sanction those who refuse to work, and how quickly should we phase in these reforms?
- * What else can we do to promote work, family, and personal responsibility? How far can we go in toughening child support enforcement? Should we consider other measures to help families with children, such as child support insurance and/or a children's tax credit?

ISSUE #1: REFORMING WELFARE VERSUS REPLACING WELFARE

In the campaign, you called for an "end to welfare as we know it," and most of our work so far assumes that our goal is to find a genuine alternative to welfare. We are looking for ways to enable people to support themselves outside the AFDC system, through work instead of welfare, and we are more interested in moving people off welfare as quickly as possible than in simply encouraging them to work for their welfare. Both of these goals require much more than tinkering with the current system -- and consequently go much further than most state welfare reform efforts, either in implementation of the JOBS program or in waiver requests for state demonstrations.

State self-sufficiency-oriented welfare reforms tend to focus on improving the JOBS program and providing work incentives within the welfare system, in the form of higher earnings disregards and lower benefit reduction rates. Even the most dramatic state demonstration proposals are not oriented to getting people off welfare quickly and helping them make it outside the welfare system when they work. The Bush Administration followed a policy of welfare reform through state waivers, which many state officials would like to see as the centerpiece of this Administration's approach to welfare reform. We believe that state flexibility and experimentation are critical, but we do not believe that leaving reform entirely

to the states will end welfare as we know it. The states are in no position, legally or financially, to envision genuine alternatives to the current system.

We are operating on the assumption that our goal is to genuinely transform the welfare system while preserving a high level of state flexibility. More modest reforms are possible -- expanding and enriching the JOBS program, or relying on state-generated reform approaches -- and would do a good deal to improve the current system. But we believe we have an obligation and an opportunity to be much bolder, to fashion an approach that moves people quickly off welfare and helps them stay off -- or better yet, helps keep them from going on welfare in the first place. The best kind of time-limited welfare is a system where no one stays on the rolls long enough to hit the limit.

ISSUE #2: STRUCTURING TIME-LIMITED WELFARE AND WORK

The principle of time-limited welfare, of ensuring that welfare does not last forever, resonates positively not only with voters but with welfare clients. If supports for work are in place, if we have dramatically improved child support, if we have improved education and training and job placement, then it seems unassailably reasonable to insist that after a time certain, traditional welfare must end and some sort of work must begin. There is real dignity in work, and much real work to be done: public libraries are closing because communities cannot afford staffs, there is an enormous shortage of child care workers, and the non-profit sector is booming, just to name a few.

But significant questions arise: How many people can reasonably be expected to work? Who should pay them, and what should they do? And how can we mount such a massive job effort without creating a make-work nightmare like CETA?

The size of the welfare population alone suggests that a time limit should only be applied to a portion of the caseload, at least at first. Up to 3 million recipients have been on welfare for 2 years or longer. Requiring even half of them to work could require the creation of 1.5 million jobs -- and if those were community service jobs, the program would be several times the projected size of national service.

Cost and capacity are critical issues. For example, we would like to see a system of 100 percent participation in work, education or training. The JOBS program currently spends about \$800 million nationwide, and enrolls about 7 percent of recipients -- and even the best states only serve about 15 percent. No state now requires work of more than a small proportion of clients. Requiring people to work or even simply participate will increase costs not only for the programs themselves, but also for day care, transportation, etc.

A new system could be phased in, either by state or by cohort of welfare recipients. That would lower the initial cost and enable us to see what works. The challenge will be

how to control costs while at the same time being bold enough to meet our commitment to real change.

A second important issue in designing time limits is the consequences of non-compliance. A system of required participation and work will only be seen as a genuine end to welfare as we know it if it has serious penalties for non-participation. But current practice allows strong due process concerns, penalties affecting adults only, and extremely low sanction rates of any sort.

The best way around this dilemma is to design a system that involves serious and unavoidable consequences for non-participation, but at the same time provides people enough opportunity that life is possible and desirable off welfare. The easier it is for people to support themselves through work instead of welfare, the fewer people will reach any time limit, the fewer public jobs will be created, and the less important sanctions will be. In the end, finding the right balance between opportunity and responsibility will determine whether or not a welfare reform plan can obtain the political support and the moral legitimacy to survive.

ISSUE #3: CHILD SUPPORT

If we are going to ask more of welfare mothers, we must ask more of absent fathers as well. The current child support enforcement system is so porous that less than a third of absent fathers' potential obligation is actually collected. A dramatically improved system would bring essential support to many single parents, and send a clear message that those who bring children into the world have a responsibility to raise them.

We are looking at every possible means to toughen child support enforcement and demand personal responsibility. These measures might include: universal paternity establishment in hospitals; mandatory wage withholding administered by the states; denying deadbeat parents access to universal health care; making it harder for deadbeats to obtain credit cards, driver's licenses, or professional licenses; requiring custodial parents to establish paternity or lose the right to take a personal tax exemption for their children; and various other efforts to demand responsibility and increase collection.

We will also examine other, more sweeping means of making it easier for parents to raise children. One controversial option, known as child support assurance or insurance, would seek to improve child support enforcement and provide some protection to single parents by providing a government-guaranteed minimum child support payment (say \$2,000 or \$3,000), even when collections from the absent father fall below the minimum. Minimum child support payments would only be provided to custodial parents with an award in place. Any insured child support benefits would be counted as income for welfare purposes, and welfare benefits would be reduced dollar for dollar. A woman on welfare would be no better off, but if she went to work, she could keep her guaranteed child support.

Proponents of this idea argue that it will make it much easier to leave welfare for work, increase incentives for mothers to get awards in place, and legitimize a genuinely time-limited welfare system. Critics fear that it will let absent fathers off the hook, encourage the formation of single-parent families, and simply provide welfare by another name, without increasing child support collection.

Another option to ease the financial burden of raising children would be to provide some kind of children's allowance or children's tax credit. To hold down costs, such a credit might be limited to young children in working families with incomes under \$40,000. The tax credit could be further limited to families where paternity has been established, and capped at a maximum of two children under 6 at any time.

The advantage of a children's allowance is that it recognizes that raising children is a burden for all working families, with two parents or one. Like the EITC, it would provide an additional incentive to work, and it would also give working and middle-class families some much needed tax relief. The disadvantage is that like any tax cut, it will cost money. Joe Lieberman has proposed a credit of \$1,000 per young child that would cost \$9 billion a year; the more carefully targeted version described above would cost significantly less.

In any case, a major part of our effort will be to look at ways to reduce the formation of single-parent families. Over the last decade, the number of children born to unmarried mothers has grown dramatically, even though the divorce rate has leveled off. Paternity establishment is improving, but unwed births are increasing twice as fast. Keeping people off welfare in the first place is the best system of all.