

The Washington Post

December 12, 1993

Escaping the Dole: For Young Unwed Mothers, Welfare Reform Alone Can't Make Work Pay

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After almost a year of study, an administration working group has prepared its initial report on how to fulfill President Clinton's promise to "end welfare as we know it." The report starts in exactly the right place: the 30-year growth in out-of-wedlock births, especially among teenagers, and its relation to persistent poverty. Unfortunately, the report fails to pursue the logic of its own analysis.

The bulk of long-term welfare recipients are young, unmarried mothers, most of whom had their first baby as teenagers. About 50 percent of unwed teen mothers go on welfare within one year of the birth of their first child and 77 percent within five years, according to the Congressional Budget Office. Almost half of those on the rolls for three or more of the past five years started their families as unwed teens.

With poor prospects to begin with, these young women have further limited their life chances by systematically underinvesting in themselves—by dropping out of school, having a baby out of wedlock and not working. The administration working group assumes that an expanded educational and job training program will help large numbers of them become economically self-sufficient.

Past experience suggests this is wishful thinking. Even richly funded demonstration programs have found it exceedingly difficult to improve the ability of these mothers to care for their children, let alone to become economically self-sufficient.

A six-county evaluation of California's program, for example, found that over two years, average earnings for single parents increased by 20 percent—three or four times the usual experience for such programs. Still total earnings reached only \$ 4,620. The county with the greatest improvement, Riverside, was able to increase earnings by \$ 2,099, although average total earnings over two years were still less than \$ 6,000. The welfare rolls declined by only 5 percent in Riverside, and by a statistically insignificant amount across all of the other counties. Why don't job training programs cut welfare rolls? Although many suffer from design flaws and administrative weaknesses, the main problem is that—for poorly educated young mothers—such programs cannot break the financial mathematics of life on welfare. The average annual earnings for female high school dropouts are extremely low. In 1992, 18- to 24-year-old dropouts working

full-time earned about \$ 12,900 a year; 25- to 34-year-olds earned about \$ 14,800. (Note that in 1992 the poverty line for a family of three was \$ 11,186.)

Even with the help of the current Earned Income Tax Credit (EITC) and other means-tested programs, earners at these levels net, after payroll and state taxes and work expenses, only \$ 15,563 and \$ 15,617, respectively. The major expansion in the EITC pushed through by President Clinton will, when fully implemented in 1996, raise these numbers significantly—to \$ 17,022 and \$ 16,948. But this increase will not be enough to break the hold of welfare. (Anomalously, under the Clinton EITC, the lower-earning mother will actually take home more money than the higher earner because of the way benefits decline with additional earnings.)

A welfare mother without any work experience probably couldn't match even these earnings records. But if she could, she still might decide it didn't pay to work. Her current benefits—even ignoring the average \$ 4,307 in Medicaid for which a welfare recipient with two children is eligible—leave her only some \$ 2,674 worse off than the lower-salaried mother and \$ 2,728 worse off than the higher-earning mother.

In other words, should she be lucky enough to get the kind of job held by others of her educational attainment, she'd be working for a net wage of only about \$ 1.50 an hour. And to gain that, she'd have to sacrifice not only leisure time but the chance to hold down a job in the informal economy (in which unreported income is earned through anything from handiwork to illegal activities).

Even with the expanded EITC, after deducting the costs of benefits and of going to work, the net hourly wage would be only about \$ 2.30 or less. If a young parent were to go to work under these circumstances, it still wouldn't be for the money.

Hence, the EITC would have to be much larger to actually "make work pay" for unwed mothers. But by 1996, the credit will already cost about \$ 18 billion a year. Besides being very expensive, a further increase would create other distortions and inequities. Substantial benefits under the EITC are available only to low-income workers who have children. At some point, their fellow workers will question why those who have had children without being able to support them should get such a large government subsidy while those who have played by the rules do not.

And the larger the credit, the greater the incentive for abuse. Tax experts such as the Urban Institute's Gene Steuerle warn that the EITC is already so large that it provides an expensive incentive for people to overreport their earnings so as to get the maximum credit.

Thus, Clinton's off-stated goal of making work pay will not work for most unwed mothers. Recognizing this, both he and his working group have proposed to "time-limit" welfare. If, after two years, a welfare mother does not get a private job, she would be placed in a public job. The idea is that the job will both give her work experience and serve as an incentive to get off welfare since she will have to work anyway.

Although there is much merit to such mandatory work experience, creating a viable program is not easy. First, community service jobs are very expensive to create and administer. CBO estimates indicate that monitoring each job would cost \$ 3,300 annually, and day care would cost \$ 3,000 per participant—and perhaps much more. That means the cost of a mandatory work program would average \$ 6,300 per participant. Since the average Aid to Families with Dependent Children (AFDC) grant is about \$ 5,000 per year, welfare costs for those in the work program would more than double—without recipients receiving any increase in payments to them.

Second, mandatory community service will likely engender much opposition. When Sen. Russell Long (D-La.) proposed the idea in the 1970s, it was promptly labeled "slavefare" by welfare advocates. Hence, the administration is under intense pressure to deliver "real jobs" at "decent wages." But doing that would not only make the program even more expensive—it could also make it a magnet to attract and keep more young mothers on welfare. To counter that, the Clinton planners are also considering a plan to time-limit the community service program as well. After a set period, possibly 18 months, the mother would go back on regular welfare, although perhaps at a somewhat lower level—a feature that will also stir controversy. Because our ability to help young women become self-sufficient once they have become mothers is so limited, the best strategy is to focus on postponing parenthood until these women are financially and emotionally ready. This is what leads many people, such as my colleague Charles Murray, to advocate ending welfare altogether.

The president's working group did not contemplate such a radical solution, but it does make a long-overdue connection between out-of-wedlock births and welfare dependency. Some options being considered by the group make sense. For example, providing contraceptive services to all AFDC recipients, prohibiting higher welfare payments for additional children born on welfare and requiring teen mothers to complete high school would all help discourage young mothers from having another child.

But the effects are unlikely to be dramatic, and they would do little to prevent the initial birth—which puts the mother on welfare in the first place. For this, the group is considering school-based sex education, condom distribution and abstinence programs. Again, the available research suggests that such efforts have modest impacts, at best.

The association between poverty, poor school performance and poor life prospects on the one side and out-of-wedlock births on the other is too obvious to ignore. As University of Pennsylvania sociologist Elijah Anderson notes, "Most middle-class youths take a stronger interest in their future and know what a pregnancy can do to derail it. In contrast, many [inner-city] adolescents see no future to derail—hence they see little to lose by having a child out of wedlock." The dearth of good jobs in the inner city, he argues, leads peer groups to emphasize sexual prowess as evidence of manhood, with babies serving as proof.

Because those young people who have the most to look forward to are the most responsible about their sexual practices, it does not seem an overstatement to say that good education and

real opportunities in life are the best contraceptives. In fact, innovative programs like Best Friends in Washington base their appeal on the connection between sexual practices and opportunity. This program uses weekly group sessions, with an adult moderator, in which teen girls discuss boys, relationships and self-respect.

"We don't tell them that having sex is immoral," says Elayne Bennett, founder of Best Friends. "Instead, we tell them, 'If you want to get some place in life, you need to have a plan. This plan must include finishing school, and that means that you must not get pregnant.' And we tell them, 'The only guaranteed way to avoid pregnancy is to abstain from sex.' " For this message to really take hold, though, young people need to feel that they have opportunities beyond low-paying, sporadic work. And this means a return to serious vocational education in our high schools.

The current emphasis on college preparatory courses in high school and on academic-like "basic skills" in job training programs leaves many disadvantaged youth without the skills for the well-paying jobs that are now available. Worse, seeing how few graduates from their neighborhoods seem to get good jobs makes them feel they have nothing to gain from staying in school. In high schools where more than three-quarters of students fail to graduate, what sense does it make to push 100 percent of the student body through college preparatory courses?

While everyone would like to see disadvantaged children grow up to be lawyers, doctors and accountants, or at least white-collar workers, the unalloyed truth is that most—like most Americans—are destined for more modest careers in service, clerical or manufacturing occupations. What is needed is renewed emphasis on vocational skills in high schools, supplemented by enhanced job-counseling and job-finding services and mentoring programs. This includes the newly popular "apprenticeship" programs, although the two-plus-two approach (two years in high school followed by two years in a training program or community college) comes too late for those who have already dropped out and may require too great an investment of time and energy for many others.

Reforming educational institutions, of course, may be even harder than reforming welfare. But that is where the solution lies. We should not try to fix welfare if the problem is caused by the education system. In the absence of good high schools—and good vocational education for young people who do not do well in classroom settings—no approach to welfare reform will work.

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