

# Public Welfare

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## **The New Paternalism: Beware of Unintended Consequences: Too Many Questions Remain Unanswered**

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Conditioning welfare payments on appropriate behavior makes sense. Rising rates of dependent and self-destructive behavior among welfare recipients--be it dropping out of school, teen pregnancy, nonwork, or drug addiction--give attempts to improve their behavior new urgency. Unfortunately, many of the proposals now being made could end up hurting poor people, not helping them, and might taint more reasonable efforts to alter dysfunctional behavior. Before the process goes much further, therefore, establishing some principles might be helpful.

“The new paternalism” should not be an excuse for balancing state budgets on the backs of poor people. Welfare has never been a popular program; and media images of festering inner-city conditions, by reinforcing racial stereotypes, only undermine public support further. But a more immediate impetus for tougher policies comes from rapidly growing welfare rolls combined with increasing pressures to cut state deficits. Too many of the new proposals highlight how much money they are expected to save, suggesting that their true purpose may not be to reform the behavior of poor people.

This point is most obvious when it comes to outright benefit cuts, which are sometimes defended as a means of getting recipients back to work. Past research suggests that cutting benefits by one dollar could increase work effort among recipients by 37 cents. Thus, California’s proposed 25 percent cut in benefits might lead the average welfare recipient to work about 14 days more a year. Unless one believes that benefit levels are too high, the pain such a cut would cause recipients who cannot work seems hardly worth this small gain.

The behavioral change should be within the reach of the recipient. Reducing the welfare benefits of teenage parents who refuse to attend school themselves, as Wisconsin and Ohio do, is one thing. After all, if child care is provided, teen parents can avoid being penalized by simply going to school. But is it fair to penalize adult parents for their teenager’s refusal to attend school, as has also been proposed? Any parent who has tried to get a teenager to clean up his or her room knows how difficult getting adolescents to do anything they do not want to do can be.

Behavioral expectations should be well-rooted in public support. When Norplant, the implantable, long-working contraceptive, was first approved for use, some state legislators rushed to propose that welfare recipients be required or paid to use it. Such proposals engendered great opposition because they raised deep fears about placing limits on reproductive freedom of low-income women.

In contrast, proposals like Maryland's to have parents obtain preventive health care for their children or suffer a 30 percent reduction in welfare seem unambiguously beneficial to poor children and, if reasonably implemented, would likely enjoy wide support. Immunizations, for example, protect the children who get them as well as their playmates.

Policymakers should beware of unintended consequences. The history of social engineering is strewn with examples of perverse and unexpected consequences for even the most benign-seeming programs. The negative income experiments of the 1970s, for example, resulted in significantly higher rates of nonwork. What if the denial of increased welfare to young mothers who have additional children, as passed in New Jersey and proposed in California and Wisconsin, leads to more abortions?

Many of those most eager to discourage welfare mothers from having more children are also the ones most likely to be horrified by higher abortion rates.

Determining compliance should be easy and fair. Subjective, case-by-case determinations would be a nightmare to administer and would likely result in recurring news stories about bad decision making. Thus, Maryland officials have abandoned their efforts to condition welfare on the payment of rent, deciding that they could not adequately police payments.

One of the major criticisms leveled against the Wisconsin "Learnfare" and Ohio Learning, Earning, and Parenting (LEAP) programs when they were first proposed was that they would be monstrosities to administer. We do not yet know what the cost-benefit ratio of the programs will be administrative costs can be high--but preliminary evaluations, at least, show that states are able to monitor school attendance and modify welfare payments accordingly.

For example, according to a preliminary evaluation of LEAP, four of five sample counties reported requesting sanctions for at least one-fifth of identified teens. The sanctions were primarily for failure to enroll in school or start the program. The total number of requests for decreases in Aid to Families with Dependent Children (AFDC) was about equal to the number of requests for AFDC bonuses for good attendance.

Similarly, a preliminary review of the effectiveness of Learnfare was conducted in Milwaukee County by the Employment and Training Institute of the University of Wisconsin. Of the 6,621 teenagers whose families were sanctioned, 28 percent later returned to school. The rate for teenage parents was only 20 percent. In Milwaukee County alone, the total sanctions imposed between September 1988 and December 1989 resulted in an estimated reduction in AFDC payments of \$3,356,850, which includes a federal savings of \$1,990,950.

Rewarding positive behavior can be more useful than imposing penalties. Benefits send the same

signal as penalties, with fewer drawbacks. Tangible rewards for doing the right thing can uplift and encourage; penalties threaten to discourage recipients who may already feel psychologically beaten down. As the proverb teaches, you can catch more flies with honey than with vinegar. Wisconsin's and New Jersey's proposed "bridefare" programs may be examples of how this can be accomplished while minimizing the dangers of perverse incentives.

In the long run, benefit-oriented programs will probably be more acceptable to the general public because they do not run the risk of hurting those recipients who cannot alter their behavior. They would probably also be easier to administer: imposing penalties invites lawsuits, because the burden is on the state to prove noncompliance; but when a benefit is promised for certain behavior, the burden is on the recipient to prove compliance.

Benefits or penalties should encourage the internalization of long-term changes in behavior.

Large penalties raise the stakes so much that bureaucrats and the public recoil from imposing them. Just as behavior is continuing, so should the benefit or penalty be additive. As Aristotle said, "Virtue is habit." Thus, all the major proposals aimed at improving school attendance raise or lower welfare payments on a monthly basis in response to the recipient's recent attendance record.

Humility and caution should infuse the new paternalism. The problems faced by poor people make action necessary, but too many questions remain unanswered to rush headlong into radically new programs. Tentative as it may seem, states should adopt a step-by-step approach, securing sound successes and avoiding over promising and overreaching. After all, we are tinkering with the lives of the most deprived and the least powerful among us.