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The Next Challenge

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Welfare rolls are down an amazing 46 percent since their historic high in March 1994. That's almost two and a half million fewer families (or nearly seven million fewer parents and children) on welfare. Twenty-five states have seen declines of over 50 percent. Fewer families are going on welfare, and more are leaving.

Unfortunately, political credit claiming and ideological preconceptions, assisted by limited data, have obscured what is really going on. There is nothing new in that, of course. But without a true understanding of what is driving down welfare rolls, we cannot judge whether the decline is a good thing, nor capitalize on its lessons.

A strong economy is the obvious first explanation, and the one most attractive to those who think that welfare dependency is largely a reaction to a lack of opportunity. Between March 1994 and March 1999, for example, the unemployment rate fell a remarkable 35 percent, from 6.5 to 4.2 percent. In that period, 8.1 million more people entered the labor force. Even more striking: Never-married mothers, the group most prone to long-term welfare dependency, were 40 percent more likely to be working. But we have had strong economies before, without such sharp declines in welfare. In fact, most studies suggest that the good economy accounts for no more than about 20 percent of the total decline. What else is going on?

The end of the welfare entitlement, or, as Bill Clinton used to say, the "end of welfare as we know it," seems to be the best explanation. Across the nation, the culture of welfare offices has changed--from places where mothers sign up for benefits to places where they are helped, cajoled, and, yes, pressured to get a job or rely on others for support.

Many welfare offices are now "job centers," where workers help applicants and recipients find employment. Depending on the office, they teach how to write resumes and handle job interviews; provide access to word processors, fax machines, telephones, and even clothes; offer career counseling and financial planning services; and refer to specific employers with job openings. In a survey of former welfare recipients in Texas who left the rolls in December 1996, over 60 percent said the welfare agency "gave me the kind of help I needed."

Some of this is boosterism, plain and simple, with workers giving young mothers the moral support they so often need. As one worker said, "Some of these women never thought that they

could get a job. We give them the confidence to try.”

Making work pay

Also helping are the recent massive increases in federal aid to low-earning parents, to “make work pay.” For example, between 1993 and 1998, the earned income tax credit's cash subsidy to single mothers with two children working full time at the minimum wage more than doubled, rising from \$1,511 to \$3,756. Often of even more importance to mothers with young children, most welfare agencies can now offer child care to any applicant or recipient who gets a job.

This genuine help to mothers—and it permeates the implementation of welfare reform in most states—unquestionably assists many to leave welfare for work. But it isn't the whole story: Only about half the mothers who leave welfare seem to have jobs, often very low-paying jobs. The other half are just leaving—perhaps going to work eventually but more immediately moving in with family, friends, or boyfriends, or being supported by them. Some are simply getting by with less income. So far, there is little evidence of more marriage, even though that has traditionally been a major reason for leaving welfare.

Why are they leaving without having jobs? The answer is probably the other palpable aspect of welfare reform. A long-gone aspect of being on welfare has been reintroduced: hassle.

In most places, a new element, “diversion,” has been added to the application process. Diversion is encapsulated in two simple questions now asked of welfare applicants: Have you looked for a job? Can someone else support you? Many welfare agencies maintain a bank of phones that applicants must use to call 5, 10, or even 20 potential employers before they can receive benefits. When told of these requirements, many applicants simply turn around and walk out.

New York City's “job centers,” for example, exemplify this interplay between new welfare's help and hassle. All applicants are encouraged to look for work (and offered immediate cash support for child care) or support from relatives or other sources. For those who still decide to apply for welfare, the new rules require that they go through a 30-day assessment period during which they complete the application process and go through a rigorous job-readiness and job-search regimen involving many sessions at the job center and other offices. At the end of this period, eligible able-bodied adults who choose to receive assistance are required to participate in the city's workfare program. As a result, New York City officials estimate, the percentage of mothers who walk in the door who are eventually enrolled has fallen by about 40 percent, from about 50 to 30 percent.

Being on welfare has also changed with the imposition of various mandatory activities. In almost all states, recipients are required to sign “self-sufficiency agreements” describing their plan for becoming self-sufficient within a specified time frame. Iowa, for example, requires able-bodied recipients without infant children to develop and sign a family investment agreement, which describes the person's plan for becoming self-sufficient within a specified time frame. Failure to sign or comply with this agreement can result in immediate and complete termination of cash assistance. About 10 percent of those who begin this process seem to have their benefits terminated for failure to sign or comply with the agreement.

The cost of welfare

Although these new requirements are intended to help recipients find and keep jobs, they undeniably raise what economists would call the “cost” of being on welfare. By a rough calculation that assumes recipients value their time at the minimum wage, this kind of hassle can reduce the advantage of being on welfare versus working to zero in very low-benefit states and, nationally, can reduce the advantage by about 50 percent.

How much of a factor is this hassle? When these new requirements are explained to applicants and recipients, they often say things like “I guess I might as well get a real job” or “I might as well move back home.” In the survey of Texas recipients leaving welfare, about a quarter said that important factors were either “unfriendly caseworkers” or “new program requirements.” And in a survey of those who left welfare in South Carolina between January and March 1997, 60 percent said they felt “hassled,” and 13 percent said that’s why they left. About a third said that the state’s welfare program “wants to get rid of people, not help them.” A similar survey was conducted in Wisconsin for those who left welfare in 1998, and the results were about the same.

So far, at least, this combination of helping and hassling mothers off welfare—and discouraging them from signing up in the first place—does not seem to have caused undue hardship. Surveys of those who have left welfare indicate that, although some are worse off, most families are doing as well or better after having left. Perhaps more tellingly, despite intensive efforts, journalists have found few horror stories with which to document the harmful effects of welfare reform. And in the same South Carolina survey where 60 percent of those who left welfare complained about being hassled, 80 percent said that the caseworkers treated them “with perfect fairness.” Only a quarter reported that “life was better” when they were receiving welfare. The results were about the same in the Wisconsin survey.

A strong economy helpful

Indeed, an analysis by Richard Bavier of the Office of Management and Budget suggests that the decline in welfare benefits for female-headed families with children was accompanied by two- or three-fold gains in income due to work. According to Bavier, from 1993 to 1997, female family heads with children experienced reductions of \$6.7 billion in cash welfare and \$2.1 billion in food stamps. Their earnings increased by \$26.9 billion, however, and their EITC benefits by \$5.1 billion. After including taxes and other noncash benefits in the calculation, he finds that “income for this family type increased \$19.6 billion in 1997 dollars.”

Thus, if welfare reform is equated with reduced rolls, it has turned out to be much easier than anyone predicted: Just help mothers work (with concrete advice, psychological support, child care, and a wage subsidy), jawbone them into working or relying on family or friends, lower the value of welfare by imposing various time-consuming requirements—and, voila, cases melt away. It helps to have a strong economy, but the lesson seems to be that expectations matter much more. As one administrator said, “We underestimated their ability to get jobs that meet their basic needs—or to get support from other sources.” In fact, given the origins of the decline, even a recession should not be expected to add all these families back onto welfare.

But this formula can go only so far. Sooner rather than later, most of the mothers left on welfare will be those who are so seriously dysfunctional that they cannot hold a regular job. At some point, even with low-wage subsidies, jawboning and hassling recipients won't work—or will push off welfare families who truly have no other options. That could cause real harm.

On the other hand, excusing these mothers from the requirements of reformed welfare would also be a mistake. If it appears that the new rules do not apply to all recipients, the whole of welfare reform might be seen as an empty threat, and the gains of the last few years might disappear.

The answer lies in what has worked so far. If these mothers cannot find regular employment, develop mandatory supported work and work-for-welfare programs (with real sanctions for noncompliance). In the past, states have shown little interest or competence in either area, but they are surely the next stage—and real challenge—of welfare reform.