

ON THE REFORM OF WELFARE WITH CONTINUED DEPENDENCY

by Douglas J. Besharov

Washington is in the midst of yet another of its periodic bouts with welfare reform. Since John F. Kennedy, every president except George Bush has tried to reform welfare. None of their plans succeeded, because they did not face up to the realities of welfare dependency and the limited ability of job-training programs to raise the earnings of poorly educated mothers. They sought to eradicate dependency, neglecting the more manageable task of reforming welfare. The difference

is not a mere quibble about words, but, rather, will decide the ultimate success or failure of this latest round of "reform."

In essence, there are two groups of mothers on Aid to Families with Dependent Children (AFDC), the nation's basic welfare program: (1) *short-term recipients*, that is, mothers who go on welfare and get off relatively soon; and (2) *long-term recipients*, that is, mothers who go on and stay on for a long time.

The first group is quite large. In fact, about half of the mothers who go on welfare in any particular year leave within two years. For them, welfare works relatively well as a temporary helping hand. But if one looks at the composition of current welfare caseloads, a picture of much greater dependency emerges: About 82 percent of all mothers now on welfare are in the midst of spells that will last five years or more. And about 65 percent are caught up in spells of eight or more years. It is these long-term recipients who give welfare its bad reputation and generate repeated calls for reform.

Analyzing the differences between short-term and long-term recipients offers the best way to understand the problems with the current welfare system—and what needs to be done to correct them. Short-term recipients tend to be women who go on welfare after having finished their schooling, worked at least for a while, gotten married, and had children, and who then see their families break up. Long-terms, on the other hand, go on welfare at a much younger age, without having finished school, and usually after having had a baby born out of wedlock. According to the House Ways and Means Committee, unwed mothers average almost ten years on welfare, twice as long as divorced mothers.

THE WELFARE "TRAP"

The essential difference between the two groups is earning capacity. Those mothers who can earn enough to "make work pay" tend to work. Those who cannot, tend

to stay on welfare. Of course, there is a whole spectrum of capabilities, and the women in the middle of the spectrum tend to cycle on and off welfare as they find what they think are good jobs only to lose them—or to discover that their earnings are smaller than their welfare benefits.

LaDonna Pavetti, formerly of Harvard University and now at the Urban Institute, documented the problem. “Several women I interviewed reported going to work and then returning to welfare as soon as they realized they were no better off financially when they were working than when they were on welfare. For these women the return to welfare was extremely rapid. It took them very little time to realize that they had less money left after all their bills were paid when they were working than they had when they were on welfare.”

Table 1 illustrates how the financial arithmetic of the situation leads almost inexorably to long-term dependence. Consider unwed mothers who have dropped out of school: Average annual earnings for such 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.)

A welfare mother without any work experience probably could not match even these earnings records, as the Greater Access to Independence (GAIN) program results, described below, indicate. Even assuming that she could, it would still not “pay” for her to work. With two children (the national average for welfare families), earners at these levels of education net only \$15,563 and \$15,617, respectively. These figures take into account payroll and state taxes, and work expenses (including child care), which lower the return for work, as well as the Earned Income Tax Credit (EITC) and other means-tested programs that raise it. Thus, a welfare mother’s current benefits—even ignoring the average \$4,307 in Medicaid for which a welfare recipient with two children is eligible—leave her only some \$2,436 worse off than the lower-salaried mother and \$2,490 worse off than the higher-earning mother.

In other words, should she be lucky enough to get the kind of job held by others with her educational attainment, she would be working for a net wage of only about \$1.35 an hour. And to get this wage, she would 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). (A study by Kathryn Edin and Christopher Jencks of 152 welfare recipients in Chicago, Charleston, and Cambridge found that AFDC and food stamps accounted for only 57 percent of their income. The rest came from friends, relatives, and absent fathers (21 percent), unreported work (10 percent), Supplemental Security Income and foster care (6 percent), illegal activi-

ties (3 percent), and other (3 percent).) The major expansion in the EITC pushed through Congress by President Clinton will, when fully implemented in 1996, raise the work/earnings numbers significantly—to \$17,022 and \$16,948. (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.) But even this increase will not be enough to break the hold of welfare. Now the same welfare mother would be \$3,895 worse off than the lower-salaried mother and \$3,821 worse off than the higher-earning mother. After deducting the costs of benefits and of going to work, her net hourly wage would be only about \$2.16. If a young parent were to go to work under these circumstances, it still would not be for the money.

Table 1
Welfare vs. Work for Female High School Dropouts

	<i>Benefits/U.S. earnings, 1993 dollars</i>		
	<i>Welfare</i>	<i>Age 18–24 earners</i>	<i>Age 25–34 earners</i>
AFDC	4,949	0	0
Food Stamps	2,970	2,425	1,837
Medicaid	4,307	0	0
WIC	405	405	405
Housing	4,803	3,202	2,727
Earnings	0	12,857	14,836
Fed Income Tax	0	0	0
State Income Tax	0	-197	-237
FICA	0	-977	-1,128
Child Care	0	-2,571	-2,967
Other Work Expenses	0	-1,000	-1,000
Current EITC	0	1,419	1,144
Expanded EITC	0	2,979	2,562
Welfare Total	17,434		
Medicaid Adjustment	-4,307		
Under Current EITC	13,127	15,563	15,617
Net Hourly Wage (after subtracting lost welfare benefits and costs of working)		1.35	1.38
Under Expanded EITC	13,127	17,022	16,948
Net Hourly Wage (after subtracting lost welfare benefits and costs of working)		2.16	2.12

Source: U.S. Bureau of the Census; author computations.

The forces shaping the behavior of these young mothers are undeniably more complicated than those portrayed in these relatively simple examples. And, certainly, conditions differ widely from community to community and state to state. Moreover, some of the assumptions in the examples can be questioned. Nevertheless, even if the final calculations are off by 25 percent (and Medicaid benefits were deliberately excluded), the point is still beyond challenge: Because of the current

level of welfare benefits, work does not “pay” for poorly educated women with children. And that is why they are “trapped” on welfare.

THE LIMITS OF JOB TRAINING

Changing this job-earnings vs. welfare-benefits calculus is the central challenge of modern welfare reform. Since the late 1960s, the federal government and many state and local agencies have tried to reduce long-term welfare dependency. Most efforts to reform welfare have sought to use job-training programs to raise the earnings of long-term recipients high enough to “make work pay.” Unfortunately, even richly funded demonstration programs find it exceedingly difficult to improve the ability of young, unwed women to care for their children, let alone to become economically self-sufficient. Earnings improvements in the realm of 6 percent are considered successes. (Most programs do not even try to do something with the young fathers.)

The best-known of these efforts are the job-training and education demonstrations funded in the early 1980s and evaluated by the Manpower Demonstration Research Corporation (MDRC). California’s welfare-to-work program is a case in point. In 1985, the state established the GAIN Program, an education and training project for women on welfare. A six-county evaluation found that, over two years, average earnings for single parents increased by 20 percent (\$266 in the first year of the study and \$519 in the second), three or four times the usual experience for such programs; but total earnings reached only \$4,620. The county with the greatest improvement, Riverside, was able to increase earnings by \$2,099, although average total earnings over two years were still less than \$6,000—not nearly enough to lift these single mothers off welfare. The welfare rolls declined by only 5 percent in Riverside, and by a statistically insignificant amount across all of the counties.

Comparing these results with the earnings of high school graduates—and high school dropouts—who work full time reveals the small social impact of these results.

MANDATORY WORK

In response to these realities, the House Republicans have proposed the complete termination of welfare benefits after two or five years. Although this position is gaining adherents, it is still unacceptable to most people. There is, however, a less drastic way to make welfare more

inconvenient for unwed mothers: impose an unequivocal requirement to finish high school and then go to work.

From almost the first day that a young, unwed mother goes on welfare, she should be engaged in mandatory skill-building activities. The first priority should be that she finish high school, or at least demonstrate basic proficiency in math and reading. After that, if she is unable to find work, she should be assigned to a public-service job or she could face an automatic reduction in benefits if she does not find work on her own.

The political pressure, from unions in particular, will be for these public-service positions to be “real jobs” at “decent wages.” This would raise costs to prohibitive levels and make recipients even less likely to leave the welfare rolls. Instead, the focus should be on activities that are appropriate for inexperienced young women, that is, on tasks that offer the discipline of job attendance and the boost to self-esteem that comes with work.

Examples of such activities were described by MDRC’s Thomas Brock, who studied the four mandatory work programs mentioned above as well as six others. The activities “did not teach new skills, but neither were they ‘make work.’ Most were entry-level clerical positions or janitorial/maintenance jobs,” such as office aides and receptionists for community nonprofit agencies, mail clerks for city agencies, assistants in day-care programs for children or handicapped adults, and helpers in public works departments, sweeping and repairing streets and gardening in city parks. And, although the work requirement did not immediately reduce caseloads, in three of the four sites the value of the services rendered, together with other savings, exceeded the program’s cost to taxpayers.

Such activities probably also increase the self-discipline, social contacts, and skills of participants, and, therefore, their employability. This is all positive. However, it would be quite enough if the mandated work merely raised the inconvenience level of being on welfare by requiring these young women to be someplace—doing something constructive—every day. The object would be to discourage their younger sisters and friends from thinking that a life on welfare is an attractive option. (Strengthened child-support enforcement would increase the inconvenience level for their boyfriends who got them pregnant.)

These requirements should not be considered punitive or vindictive, nor should they be implemented in a way that makes them so. Inactivity is bad for everyone. For young mothers on welfare, it can be even more dispiriting, spiraling some toward immobilizing depression.

IT TOOK THEM VERY LITTLE TIME TO REALIZE THAT THEY HAD LESS MONEY LEFT AFTER ALL THEIR BILLS WERE PAID WHEN THEY WERE WORKING THAN THEY HAD WHEN THEY WERE ON WELFARE.

Child abuse, drug abuse, and a host of social problems are associated with long-term welfare dependency. A work requirement will help to reduce social isolation.

In addition, the welfare mother's parental responsibilities should be respected. A key argument in the debate about requiring welfare mothers to work is that, since so many middle-class mothers are now working, there is nothing wrong with expecting welfare mothers to work. And, in keeping with the careless way that the statistics are often used, the assumption is that welfare mothers should work full time. But most middle-class mothers are not working full time, with the exception of divorced mothers, who often are forced to do so because of failings in the alimony and child-support systems. Also, divorced mothers and their children tend to be older than the average unwed welfare mother and her children. Therefore, training and work requirements for young welfare mothers should vary depending on the age (and any special needs) of their children.

THINKING LONG-TERM

At least in the short run, such a "work-for-welfare" program would be much more expensive than the current system, because of added costs for administration (to establish and monitor job placements) and child care (to free mothers to work). Congressional Budget Office (CBO) estimates indicate that monitoring each job would cost \$3,300 annually, and day care would cost \$3,000 per participant per year—perhaps much more. That means the cost of a mandatory work program would average *an additional* \$6,300 per participant per year. Since the average AFDC grant is about \$5,000 per year, welfare costs for those in the work program would more than double—without recipients themselves receiving any increase in payments.

Moreover, the available evidence strongly suggests that the immediate effect of such mandatory work programs on caseloads will be small, at best. One of the few systematic evaluations of workfare programs was conducted in Ohio. Welfare mothers in eight counties were subject to a 12-hours-per-week work requirement. Of those on the welfare program for two-parent households—AFDC-UP (for "unemployed parent")—at least one adult was required to work up to 40 hours a week. An initial evaluation reported an impressive 34 percent reduction in caseloads for two-parent welfare households and a more modest but still promising 11 percent reduction among female-headed households.

These results, however, were based on a comparison with trends in other counties in the state, and have been called into question by subsequent analysis. Less encouraging are the findings of a MDRC report reviewing the impacts of the mandatory work programs in West Virginia, in Cook County, Illinois, and in two sites in San

Diego, California. In none of the sites were welfare payments reduced because of work requirements.

It should not be surprising that most single mothers stay on welfare, even after they are forced to work for their benefits. Their "welfare job" may be better than anything they can get in the real world of work, it is probably less demanding than an actual job, and there is little chance of being laid off or fired. Moreover, in areas of high unemployment, there may be no other jobs available for poorly educated women with little work experience.

The long-term impact of such a work requirement, however, could be much greater. A decade-long commitment to such a "workfare" program could change the behavior of disadvantaged teens, as the implications of the new regime begin to sink in. If young people know that the welfare agency is serious about mandating work, they will be less likely to view AFDC-dependency as an attractive life option.

It will take some time, however, before new expectations take root and behavior begins to change. Hence, it is important to adopt a five- or even ten-year perspective on the effort. Moreover, to have this effect, half measures will not do: The work mandate would have to be applied to all recipients. Since the community as a whole tends to establish and enforce behavioral norms, to achieve a change in expectations (and hence in behavior), all young women would have to feel that, if they went on welfare, they would be subject to school and work requirements.

This could make the program very expensive. But because of the prophylactic purpose of these requirements, they could be imposed prospectively, that is, applied to new applicants only. This would result in a long phase-in period that would sharply lower initial costs. It would also allow modifications in program rules and administration based on what is learned during the first stages of implementation.

Over time, linking welfare to mandatory skill-building activities could reduce caseloads substantially—if disadvantaged young people adjusted their behavior accordingly and stopped having so many babies out of wedlock, instead finishing their schooling and going to work. But, even if caseloads don't decline, at least those on welfare might be helped to lead more productive lives. That would be reason enough to reform the system. ■

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