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Welfare and Poverty: The Elements of Reform

Judith M. Gueron

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For the last thirty years, there has been widespread agreement that the nation's welfare system should be reformed to make it more consistent with basic public values endorsing the primacy of family and the importance of work. There has been disagreement, however, about specific proposals, and resistance to providing the funds needed for large-scale reform. This Article discusses the three approaches state and federal governments can use to reduce welfare and encourage work: (1) making welfare less attractive; (2) making welfare a reciprocal obligation; and (3) making work more attractive. It concludes that a combined strategy, which links welfare-to-work program mandates with increased rewards for low-wage work, offers promise. As a new Administration committed to change shapes and implements its agenda, the trade-offs and lessons from the past provide guidance on how to translate a vision of reform into a concrete program that will better meet multiple policy objectives and produce institutional change.

I. A Persistent Dilemma: Reducing Poverty While Encouraging Self-Sufficiency

The country's struggle to design social welfare policy has reflected an effort to meet two distinct objectives at a reasonable cost: reducing poverty among children and encouraging work and self-support by their parents. Over the years, and for different people, these two goals have assumed greater or lesser importance. When the Aid to Dependent Children Program was created as part of the Social Security Act of 1935, the emphasis was on children, and the entitlement to cash welfare benefits represented a "national commitment to the idea that a mother's place is in the home."[1] Four developments, however, have eroded public support for this vision: (1) the dramatic increase in the employment of women (including mothers of small children), with no strong evidence that this was hurting children; (2) the growth of the number of people receiving assistance from Aid to Families with Dependent Children (AFDC)—as it was renamed—and related programs to levels that far exceeded the expectations of the 1930s; (3) the striking increase in the number of single-

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1. Gilbert Y. Steiner, The State of Welfare 54 (1971).

parent families; and (4) the evidence that, for a minority of recipients, welfare could be a way of life, with high costs for children and taxpayers.[2]

These changes undermined the idea that welfare was an acceptable—indeed, approved—alternative to paid work. Reformers, however, have been stymied in their efforts to meet the anti-poverty and self-sufficiency goals in a way that satisfies prevailing values about family and work, partly because reduced poverty and increased self-sufficiency do not always go together. One reason they do not is the heavy reliance on means-tested programs such as AFDC.[3] Such programs inherently discourage work, since benefits are reduced as income grows. Further, the more seriously we take the anti-poverty goal and consequently make programs more generous, the more we risk undermining self-reliance and decreasing the incentive for welfare recipients to take low-paying jobs. Yet, in view of an increasing interest in universal programs, it is important to remember why we have traditionally relied on means-tested programs: they reflect an effort to contain costs, target scarce resources on the most disadvantaged, and get the largest anti-poverty payoff for the money spent.

In the United States, people are particularly concerned with the behavioral effects of government programs, especially with the extent to which generous cash transfers reduce work effort. Consequently, while the trade-off between anti-poverty and self-sufficiency program goals has been evident for years, we appear paralyzed by the choices. In an effort to bring the system more nearly in balance with underlying public values, we fail to combat poverty *or* to increase self-sufficiency, and we continue to seek reforms—both incremental and fundamental—that can improve our performance in one area without sacrificing too much in the other.

This trade-off is vividly illustrated by the story of a young woman in a current, sixteen-site national demonstration program called New Chance, which is being managed and evaluated by the Manpower Demonstration Research Corporation (MDRC). New Chance offers a comprehensive program of education, training, and personal development services intended to lead to self-sufficiency for young mothers on welfare and improved developmental outcomes for their children.[4] Recently, a New Chance program director in Kentucky, a state with relatively low welfare grants, asked an MDRC staff member how she should respond to the dilemma faced by a young woman who had just completed the program. Through New Chance, the young woman had

2. *See, e.g.*, David T. Ellwood, Targeting "Would-Be" Long-Term Recipients of AFDC 63 (Jan. 1986) (unpublished manuscript, on file with author).

3. *See* STAFF OF HOUSE COMM. ON WAYS AND MEANS, 102D CONG., 2D SESS., OVERVIEW OF ENTITLEMENT PROGRAMS 603-06 (Comm. Print 1992) [hereinafter GREEN BOOK] (discussing the income and asset eligibility criteria for AFDC).

4. *See* JANET C. QUINT ET AL., NEW CHANCE: IMPLEMENTING A COMPREHENSIVE PROGRAM FOR DISADVANTAGED YOUNG MOTHERS AND THEIR CHILDREN vii (1991).

received a high school equivalency certificate; acquired subsidized work experience and vocational skills; improved her decision making, problem-solving, and other life management skills; and arranged for child care. She was ready to take the big step toward employment and self-sufficiency.

But the economics did not work. The jobs she had been offered—with low wages, limited hours, and no health benefits—would make her less well off than she would be if she stayed home and continued to receive AFDC and related benefits, especially when work expenses were considered.[5] The irony for the program director was that she knew the program had succeeded when the young woman was able to calculate the complicated cost-benefit equation, and felt a responsibility to ask how she could put her family at risk by going to work.

MDRC's studies of state welfare-to-work programs have shown that many women do leave welfare for low-paying jobs, and in so doing trade "leisure" for no noticeable gain in income.[6] Economics, therefore, is only one factor in the equation; the stigma of welfare and the broader promises of a job represent other strong forces to which people respond. But clearly the deck is often stacked against work. In pushing poor people to work, we often ask them to make the very decisions that economic theory suggests a rational person should reject.

II. Strategies to Encourage Work

What can state and federal governments do to alter the equation and encourage welfare recipients to work? How would these different approaches affect attainment of the other societal goal: reducing poverty at an affordable cost? This Article addresses these questions with regard to single mothers receiving AFDC benefits.

A. *Make Welfare Less Attractive*

One strategy to encourage work is to make welfare less attractive, as most states have done by default over the last twenty years. Between 1972 and 1991, AFDC benefits eroded by a dramatic 41% in real terms. Even if offsetting increases in Food Stamps are taken into account, combined real benefits fell by 26.5% over this period.[7] As a result, despite the addition of a new Food

5. *See* Green Book, *supra* note 3, at 628 (giving example of trade-off between work and welfare).

6. Judith M. Gueron & Edward Pauly, From Welfare to Work 33 (1991); David T. Ellwood, Poor Support: Poverty in the American Family 138-40 (1988).

7. Green Book, *supra* note 3, at 1189-92. These cuts in real terms occurred mostly because benefits were not increased to offset inflation.

Stamp program, average combined real benefits in 1991 were at approximately the same level as AFDC benefits alone in 1960.[8] Moreover, in the face of rising caseloads and unprecedented budget demands, cutting benefits is a strategy that some states are now proposing more consciously.[9] This approach will increase work incentives, but it will do little—at least in the short run—to reduce poverty.

B. *Make Welfare a Reciprocal Obligation*

A second strategy is to redefine the social contract implicit in the AFDC program by making it less an entitlement and more a set of reciprocal obligations focused on self-sufficiency. This mandatory welfare-to-work approach says, in effect: "You can receive welfare on the condition that you do something while receiving it that can lead to self-sufficiency." In its most common form, this strategy requires welfare recipients to take a job or participate in employment-directed activities—such as job training, a job search, and education—or risk losing some welfare benefits. At the same time, it requires government to provide not only a cash grant but also services and support designed to help the recipient obtain employment.

This reformulation of welfare began with the Work Incentive (WIN) Program in the 1960s.[10] It was expanded and refined by state initiatives and reaffirmed in the Job Opportunities and Basic Skills Training (JOBS) provisions of the Family Support Act of 1988 (FSA).[11] In 1992, then-Governor Clinton and some members of Congress proposed tightening the mandate further by setting a time limit on the "opportunity" side of the reciprocal obligation. After the time limit expires, recipients would be required to work—either in the

8. *Id.* at 1208 (weighted-average annual AFDC benefits were $8,801 in 1960; weighted-average combined benefits were $8,975 in 1991). By 1992, as a result of these benefit cuts, the maximum combined assistance available through AFDC and Food Stamps put family income below 80% of the poverty level in all but 14 states, and below 60% of the poverty level in eight states. *Id.* at 636-37.

9. For example, California reduced AFDC grants by 4.4% in 1991. Furthermore, although promoted primarily as mechanisms to discourage childbearing and migration, a number of federal waivers of AFDC rules are also efforts to reduce grant levels: New Jersey and Wisconsin (for teens, and only in some cases) specify that grants not be increased to cover children born on welfare; Wisconsin ties new state residents' grants to AFDC benefit levels in the states from which they moved. Rick Ferreira, *State Welfare Proposals*, 76 LAB. NOTES 13, 14, 25, 30 (1992).

10. For a description of the WIN program, see CHARLES. D. GARVIN ET AL., THE WORK INCENTIVE EXPERIENCE (1978); LAWRENCE M. MEAD, BEYOND ENTITLEMENT: THE SOCIAL OBLIGATIONS OF CITIZENSHIP 148-68 (1986).

11. Pub. L. No. 100-485, §§ 201-04, 102 Stat. 2356-81 (1988). For a summary of the JOBS program, see GUERON & PAULY, *supra* note 6, at 55-60.

private sector or at a public service position—in order to prevent reduction or termination of their AFDC grant.[12]

In their 1980s version, welfare-to-work programs under WIN saved money and increased employment somewhat but did little to reduce poverty.[13] Typically during this period, WIN programs required participation in low-to-moderate-cost programs stressing immediate job placement, sometimes followed by short-term, mandatory assignments to unpaid work in public or nonprofit agencies. JOBS, in contrast, emphasizes getting people better jobs through education and training and targeting long-term recipients. The full effects of the JOBS approach, however, are not yet known.[14]

C. *Make Work Pay*

A third strategy to encourage work is to make welfare less attractive by making work more appealing, i.e., by "making work pay."[15] One argument for this strategy arises from developments in the low-wage labor market. In 1970, when the minimum wage was $1.60 an hour, a full-time job would provide approximately $3200 in pre-tax income, which was above the poverty threshold of $3099 for a three-person family (the size of the typical AFDC case). In 1990, in contrast, a minimum-wage job provided $7600 in pre-tax income, fully 27% below the poverty line of $10,419 (adjusted for inflation since 1970).[16] Thus, AFDC mothers who enter the job market at the bottom, earning the minimum wage, no longer earn their way out of poverty. In a related development that may discourage marriage among single mothers (by affecting the economic status of some potential spouses), the earnings of less-

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12. Then-Governor Clinton suggested a two-year limit on educational services, followed by a work requirement, combined with measures to supplement earnings from low-wage jobs. *See* BILL CLINTON & AL GORE, PUTTING PEOPLE FIRST 165 (1992). One Republican proposal would have limited receipt of welfare to four years, mandated JOBS or work experience for ten hours per week during that period, and allowed the states to fund subsidized employment in lieu of Food Stamps. H.R. 5501, 102d Cong., 2d Sess. (1992).

13. *See* Judith M. Gueron, *Work and Welfare: Lessons on Employment Programs*, 4 J. ECON. PERSP. 79, 91-95 (1990); JUDITH M. GUERON, REFORMING WELFARE WITH WORK 22-29 (1987). For a summary of the lessons from research on these programs, see GUERON & PAULY, *supra* note 6, at 32-35.

14. This Article focuses on efforts to increase work, but, in a related development, states have also initiated changes in the social contract intended to promote responsible behavior in other areas (e.g., marriage, fertility, mobility, health care, and school attendance), changes that have collectively been called the "new paternalism." *See Changes in State Welfare Reform Programs, 1992: Hearings Before the Senate Finance Subcomm. on Social Security and Family Policy of the Senate Comm. on Finance*, 102d Cong., 2d Sess. 1 (1992); Julie Kosterlitz, *Behavior Modification*, 24 NAT'L J. 271, 271-75 (1992); *The New Paternalism*, 50 PUB. WELFARE 4, 4-5 (1992). The effect of most of these measures is very uncertain. See DAN BLOOM ET AL., LEAP: INTERIM FINDINGS ON A WELFARE INITIATIVE TO IMPROVE SCHOOL ATTENDANCE AMONG TEENAGE PARENTS (1993) for encouraging results from Ohio's Learning, Earning, and Parenting (LEAP) program, which mandates school attendance for teenage parents on welfare.

15. *See, e.g.*, ELLWOOD, *supra* note 6, at 238 (discussing the importance of making work pay).

16. GREEN BOOK, *supra* note 3, at 1272.

skilled men have been falling since 1973, precipitously in the last ten years.[17] It is trends such as these that, between 1979 and 1989, led to a more than 50% increase in the proportion of Americans who were working full time, year-round, but being paid wages too low to lift a family of four out of poverty. In 1990, nearly one in five Americans earned wages this low.[18]

Under the "make work pay" strategy, work incentives may be increased by changes inside the welfare system, e.g., by reducing the extent to which the AFDC grant or other benefits tied to welfare (such as child care and Medicaid) are cut when people go to work. Other changes might be accomplished outside the welfare system, e.g., by directly augmenting wages or by providing complementary cash or in-kind benefits to the working poor. Such actions are likely to be substantially more expensive than the previous two strategies and to produce uncertain effects on the amount of work people do, but are more certain to reduce poverty.

The need to change the welfare system from within arises in part from Congressional action in 1981 that sharply reduced the extent to which the AFDC program provided support to families who left the rolls to go to work but remained poor.[19] While the implicit tax rate in AFDC has always been high, under the current structure, beginning four months after they go to work, welfare recipients lose almost one dollar in benefits for every dollar they earn, an effective tax rate of almost 100%. Added expenses (e.g., for clothing and transportation, which may exceed the allowance provided) and decreased non-cash benefits (e.g., transitional child care and medical benefits, which end a year after someone leaves welfare) mean that people can easily be worse off working than on welfare. Several states (e.g., Michigan, New Jersey, Utah, and Wisconsin) have tried to alleviate the problem by seeking federal waivers to increase the amount of earnings that is not counted in reducing welfare grants when someone goes to work.[20] A number are also seeking waivers to extend the period during which someone who leaves AFDC to take a job can receive subsidized child care, case management, or Medicaid.[21]

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17. *See* McKinley L. Blackburn et al., *The Declining Economic Position of Less Skilled American Men*, *in* A FUTURE OF LOUSY JOBS? 31, 33-79 (Gary Burtless ed., 1990). Pointing to the dramatic changes in the low-skilled job market in the last twenty years, Freeman and Holzer note the "historically unprecedented" and massive decline in the real earnings of twenty-five- to thirty-four-year-old men with less than a high school education. Richard Freeman & Harry Holzer, The Deterioration of Employment and Earnings Opportunities for Less Educated Young Americans 5 (Aug. 18, 1991) (unpublished manuscript, on file with author).

18. BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, SERIES P-60, NO. 178, WORKERS WITH LOW EARNINGS: 1964 TO 1990 3 (1992).

19. Omnibus Budget Reconciliation Act of 1981, Pub. L. No. 97-35, §§ 2301-04, 95 Stat. 843-45.

20. Under section 1115 of the Social Security Act, states can waive provisions of the Act for an experimental or demonstration program. Social Security Act of 1935, ch. 531, Title XI, § 1115, 49 Stat. 620 (1935) (codified as amended at 42 U.S.C. § 1315 (1988)). Since the 1970s, this provision has been applied broadly to allow states to experiment with far-reaching reforms of the AFDC program.

21. *See* Mark Greenberg, *Welfare Waivers and the Working Poor*, 76 LAB. NOTES 1, 1-9 (1992) (discussing waiver provisions).

Outside the welfare system, other potential measures to make work pay include: increasing child support enforcement[22] and having the federal government guarantee child support if a parent does not pay (the child support assurance concept); instituting a refundable tax credit for families with children; further increasing the Earned Income Tax Credit (EITC); providing health insurance and child-care subsidies to the working poor; and increasing the minimum wage or indexing it to inflation.[23]

In the welfare reform context, advocates of efforts to make work pay argue that it is unreasonable to expect people to leave welfare for work if that will make them worse off, that poor women will not be able to work their way out of poverty (even after participating in JOBS' education and training programs), and that reducing child poverty should receive priority. Advocates of universal, "non-welfare" approaches assert that the country should assist the increasing number of working-poor families and move away from categorical policies toward programs that reward equally the working and welfare poor. They argue that targeted programs will never have the public support and generosity of universal ones, and that income from multiple sources will be needed if people are to earn their way out of poverty.

Over the past twenty years, state and federal policymakers have used all three of these approaches to encourage work: AFDC grants have been cut; states have more-or-less mandated participation in activities focused on immediate employment; and some payments to the working poor (e.g., the EITC) have been expanded.[24] The result in 1991, compared to the situation in the early 1970s, is roughly constant real AFDC outlays, higher rates of child poverty (reaching almost 22% in 1991), and perverse work incentives.[25] Reform efforts *have* succeeded in discouraging welfare—caseloads have not grown as fast as the demographics would suggest, except for an increase during the current recession—but such efforts have failed to provide security for children.[26]

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22. Recognizing the importance of providing children with support from both parents, Title I of the Family Support Act also included a number of new child support enforcement provisions: mandatory wage withholding, uniform guidelines for the establishment of support orders, an emphasis on establishing paternity for all children, and periodic review and modification of support orders. Child support payments, unlike AFDC, are not reduced as income increases. §§ 101-29, 102 Stat. 2344-56 (1988).

23. *See* ELLWOOD, *supra* note 6, at 236-41.

24. Increased payments to the working poor, however, came at a time when other changes acted to undercut the benefits of any increases (i.e., work incentives within the AFDC program were reduced, and real wages for those at the bottom of the income distribution stagnated or declined).

25. BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, SERIES P-60, NO. 181, POVERTY IN THE UNITED STATES: 1991 10 (1992).

26. Reality is thus at odds with the prevailing view of an AFDC program in crisis, or at least suggests that the crisis is as much for the children receiving AFDC as for the taxpayers. While Medicaid costs (primarily for people not on AFDC) have increased very rapidly over the past fifteen years, AFDC outlays have not. Total AFDC costs, at $22.9 billion in 1991, *see* GREEN BOOK, *supra* note 3, at 654, are relatively small, accounting for less than 1% of the federal budget, *see id.* at 1795, and 3.4% of the average state budget, NATIONAL ASS'N OF STATE BUDGET OFFICERS, STATE EXPENDITURE REPORT 37 (1991).

III. WIN AND JOBS: WHAT IS AND IS NOT KNOWN?

While all three approaches may encourage work, there is little direct evidence as to the effectiveness of the first—making welfare less attractive—and the third—making work pay—in this regard. It is with respect to the second strategy—welfare-to-work programs—that we have reliable (if still incomplete) data on what can and cannot be achieved.

Before reviewing the results, it is important to note that these programs—WIN and now JOBS—mean very different things to different people. Views of the basic program goals and thus the appropriate tools of reform vary: some state and local administrators emphasize raising earnings and reducing poverty; others emphasize reducing dependency and welfare costs. These different emphases translate into program designs that place different levels of priority on the service and obligation sides of the reciprocal responsibilities of welfare recipients and government. Those who argue that welfare recipients want to work, but lack the education and skills needed to obtain jobs that assure a decent standard of living, tend to advocate programs that offer choices, serve those who volunteer first, provide education and training, and do not require people to take low-wage jobs. Those who assert that jobs are available and believe that welfare recipients are either unwilling to work or too discouraged to try tend to favor programs that set clear expectations, require participation for those not already employed, provide low-cost job placement assistance rather than expensive training, and mandate community service work ("workfare") for those who remain on the rolls.[27] Finally, and more typically, those who share elements of both positions advocate programs that mix opportunities and obligations.

The 1980s began with great skepticism about the feasibility and value of large-scale welfare-to-work programs. However, because of the commitment of states and counties during the past ten years, both to new initiatives and to rigorous evaluation (and the availability of Ford Foundation, federal, and other funding to study those programs), there is now overwhelming evidence from a substantial number of reliable studies that employment-directed services and mandates for single mothers on AFDC can be implemented effectively and successfully encourage work and self-support.[28] This threshold question has been tested and answered. The evidence comes not only from small-scale demonstration programs but also from full-scale programs run by regular staff

27. *See, e.g.*, LAWRENCE M. MEAD, THE NEW POLITICS OF POVERTY: THE NONWORKING POOR IN AMERICA 133-34 (1992) (arguing that addressing recipients' unwillingness to work should be a prime focus of welfare reform).

28. For a discussion of the major findings, the importance of random assignment field experiments to the credibility of the results, and the role of this research in the passage of the Family Support Act, see *Research and Policy: A Symposium on the Family Support Act of 1988*, 10 J. POL'Y ANALYSIS & MGMT. 588 (1991) [hereinafter *Research and Policy*].

working within ongoing welfare systems. Furthermore, the programs that were studied operated in a wide variety of settings and under stronger and weaker economic conditions. Studies involving 100,000 people in twenty-one states[29]—mostly of WIN programs, but with early results in from California's JOBS program—show unequivocally that states and counties can implement effective, large-scale programs and that different approaches can both increase employment and reduce welfare receipt.[30] Some programs proved to be highly cost-effective, returning to taxpayers close to three dollars per one dollar invested and reducing welfare costs for the mandated group by as much as 19%.[31] Overall, the results, though modest—and certainly no panacea—demonstrate that cost-effective welfare reform is achievable. Moreover, there is no reliable evidence that another welfare reform approach could produce comparable increases in employment, let alone do so while saving taxpayers money and without further increasing poverty.

The findings on welfare-to-work programs are particularly striking in the current environment, where some states are searching to reduce welfare by modifying personal behavior. All of the available evidence suggests that such behavior modification will be extremely difficult to accomplish. There may be many important reasons to try, but we already have strong evidence that an approach requiring participation in a welfare-to-work program or employment itself can succeed in increasing employment and reducing the welfare rolls. Thus, if federal and state policymakers want to reshape welfare to reach these goals, they should cull the most successful efforts from the state welfare-to-work programs, and seek to put these best practices in place in large-scale JOBS programs across the country. Moreover, it is important to remember these reliable and consistent findings because of the apparently unshakable skepticism that government can deliver cost-effective services and because the current pressure on state budgets has left 40% of the federal funds for state JOBS programs unspent.[32]

However, other critical findings suggest limitations. Even with these programs, many people remained on welfare,[33] and most of those who went to work got relatively low-paying jobs, which triggered reductions in their welfare grants that often substantially offset their earnings gains, resulting in

29. MDRC summary data (1992) (on file with author).

30. GUERON & PAULY, *supra* note 6, at 10-13.

31. *See id.* at 33, 142; GUERON, *supra* note 13, at 13-32. These are the findings for single parents (usually women). Studies of programs for two-parent welfare families have been fewer and have produced less positive results. One reason is that men who enrolled in these programs did much better on their own (as shown by the behavior of a control group) than did the women; thus, welfare-to-work programs for men had a harder time "beating" the control group. The women, in contrast, did relatively poorly on their own, and the programs proved to have a real impact.

32. GREEN BOOK, *supra* note 3, at 621.

33. At best, welfare receipt was reduced an additional eight percentage points among people targeted by the program. GUERON & PAULY, *supra* note 6, at 142-43.

little increase in their combined income from earnings and welfare. Also, by themselves, the programs did not increase the self-sufficiency of long-term welfare recipients—the people on whom the most is spent.[34] These clear limitations provided the rationale for the education and training emphases in the JOBS Title of the Family Support Act. The hope was that these more intensive services would succeed with the more disadvantaged, lead to markedly better employment, and result in more substantial increases in family income.[35]

Early findings are encouraging from the first large-scale evaluation of a JOBS program that emphasizes education: California's JOBS program, which is called the Greater Avenues for Independence (GAIN) Program. MDRC is studying GAIN for the state's Department of Social Services. The study points to three key results:

- During the study period and through a variety of strategies, the six counties in the study (representing 50% of the state's AFDC caseload) succeeded in getting large portions of their targeted mandatory caseloads to participate in GAIN, and were successful in providing them with education, training, and other services. This presented a clear change in the welfare environment, with real obligations and real opportunities.
- In the first year, despite GAIN's focus on investing in education and skills training—a marked departure from the job search/work requirement approach studied earlier—the results were as encouraging as those from prior studies, with first-year earnings increases of 17% and welfare savings of 5%. There was also evidence that the second year would look substantially better.
- There was notable variation in the results across counties, which the study will track over time. In the first year, there were strong results in several counties, weak results in others, and very large impacts in one southern California county (Riverside), where earnings of single mothers went up an average of $1000, or 65%, and welfare decreased by $700 on average, or 12%. Riverside also achieved strong impacts for long-term recipients. If impacts of this magnitude—which are averages for every person in the program, those who did not get jobs as well as those who did—could be replicated elsewhere, JOBS programs could have a substantial effect on work effort and AFDC costs.[36]

Over the next year, the GAIN evaluation will provide further information about the payoff to California's investment in JOBS and the relative effectiveness of the different counties' approaches. This study, along with state-,

34. DANIEL FRIEDLANDER, SUBGROUP IMPACTS AND PERFORMANCE INDICATORS FOR SELECTED WELFARE EMPLOYMENT PROGRAMS 95-97 (1988).

35. *See generally* Erica B. Baum, *When the Witch Doctors Agree: The Family Support Act and Social Science Research, in Research and Policy, supra* note 28, at 603; Ron Haskins, *Congress Writes a Law: Research and Welfare Reform,* in *Research and Policy, supra* note 28, at 616.

36. *See* JAMES RICCIO & DANIEL FRIEDLANDER, GAIN: PROGRAM STRATEGIES, PARTICIPATION PATTERNS, AND FIRST-YEAR IMPACTS IN SIX COUNTIES ix-xiv (1992).

foundation-, and U.S. Department of Health and Human Services-sponsored evaluations in states such as Florida, Georgia, Michigan, Ohio, Oklahoma, and Oregon, should determine whether the JOBS program delivers on its promise and effectively meets the two goals of promoting work and reducing child poverty.

While this initial report card on GAIN and JOBS shows promise, there is a very sobering note struck by the reality states faced in 1992, a year in which fiscal imperatives shortened the cost-effectiveness time frame. Unless a major change occurs in the absolute level of JOBS funding and the share states are required to pay, there is no evidence that adequate resources will be available for it to change the AFDC system and achieve its demonstrated potential for real reform.[37] While the JOBS program will provide some services, it is not likely to achieve what most people favor: an effective marriage of opportunities and real participation obligations that will change the basic character of welfare.

IV. The Next Stage of Reform: Welfare-to-Work Mandates and Rewards for Work

The debate continues over how to restructure social welfare policy to deal with the increasing number of poor children, long-term welfare dependency and nonwork, the fact that recent reforms (including the Family Support Act) have not yet changed the fundamental nature of welfare, and the growing number of people who work full time but earn below-poverty wages. Recent efforts have focused on increasing work and self-sufficiency and on linking the AFDC entitlement to an obligation to participate in an employment-directed program. Welfare-to-work programs have been the primary policy response and critical building block of most state waiver proposals. This is not surprising, since such programs are the major vehicle for moving people off the welfare rolls and for meeting the public's interest in placing work-related demands on recipients. But while JOBS' new emphasis on education and training may increase the impacts of these programs, the very limited earnings capacity of most women on welfare—combined with stagnating or falling wages for the low-skilled—constrains success. Even if they work full time, the majority of women receiving AFDC are unlikely to earn much more than they receive on welfare, particularly in states that provide relatively high welfare

37. *See, e.g.*, JAN L. HAGEN & IRENE LURIE, IMPLEMENTING JOBS: INITIAL STATE CHOICES 1 (1992).

grants. Some people leaving welfare for work earn more than $10,000 a year, but many earn far less.[38]

The transitional child care and Medicaid provisions of the Family Support Act and the recent increase in the Earned Income Tax Credit[39] are significant, but even with these changes, many mothers on welfare face the dilemma of the New Chance participant described earlier; they have little economic incentive to choose work over welfare. That they continue to do so in fairly large numbers, even when the short-term economic calculus discourages work, is a striking statement about how strongly people want to avoid receiving welfare.

The evidence that welfare-to-work programs increase employment but do not seem to reduce poverty is not surprising. In order for single mothers to earn their way out of poverty, they must work full time and have access to jobs paying above-poverty wages. As noted earlier, minimum-wage jobs no longer provide such a route out of poverty. The structural transformation in the economy, reflected in recent slow productivity growth and stagnant or declining wages for the low-skilled, puts a brake on the potential achievements of welfare-to-work programs. Unless the education component in JOBS really makes a much greater difference in earnings than early and limited evidence has shown, these programs may continue to increase work effort, but will not substantially reduce poverty. This suggests that children need access to the income of both parents (e.g., through stepped-up child support collections) and that there must be further measures to make work pay.

The lesson from these economic trends and evaluation results is the need for more than one policy response. If as a nation we care about both increasing self-sufficiency *and* reducing poverty among children, it will be important to fully implement the JOBS program and to make other changes that tilt the economic balance in favor of work. On their own, JOBS and other mandates are not likely to achieve dramatic success on both fronts; nor are economic incentives likely to be generous enough to carry the full burden. But if implemented in combination, reforms outside the welfare system may make the work programs within it more effective in reducing dependency by creating incentives that support, rather than pull against, our strongest values. In doing this, the expanded welfare-to-work programs and universal incentives may also reduce public anger at a welfare system that seems to provide people with a long-term alternative to work, at the same time that those not on the rolls work

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38. For example, a study of one pre-JOBS program in San Diego found that about 25% of welfare applicants who were employed sixteen to twenty-seven months after applying for welfare earned $10,000 or more during that twelve-month period; among those who were already on the rolls when the study began (a harder-to-employ group), only 16% did. GAYLE HAMILTON & DANIEL FRIEDLANDER, FINAL REPORT ON THE SATURATION WORK INITIATIVE MODEL 69 (1989).

39. *See, e.g.*, FREDERICK C. HUTCHINSON ET AL., A HAND UP: HOW STATE EARNED INCOME CREDITS HELP WORKING FAMILIES ESCAPE POVERTY 1 (1992).

full time and remain poor. The experience of the last twenty years suggests that changing the nature of welfare is feasible and can have positive results, but it also cautions against overpromising about either the speed of institutional change or the likely impact of reform on the welfare rolls and costs.