The New Welfare: How Can It Be Improved?

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During the summer of 1996, President Clinton signed what some consider to be the most sweeping welfare reform since the initial adoption of public assistance programs in 1935. This legislation, known by the official title of the Personal Responsibility Act, eliminates the traditional AFDC program which was an entitlement and offers the federal portion of AFDC spending in the form of block grants. Initially, AFDC was administered through a cooperative arrangement between the states and the national government. The national government would provide on average 55 percent of funding and the states would administer the programs and finance the rest. Although the national government would promulgate a set of regulations governing the administration of AFDC, it was usually left to the states to set benefit levels and establish eligibility criteria, so long as they met the minimum standards set by the national government. Beyond these minima, states were always free to offer more assistance and other types of assistance not necessarily provided for in AFDC. This meant that in spite of uniform minima, there were still substantial disparities between states. Although the new welfare imposes cumulative time limits and requires recipients to participate in work programs, the principal difference between the old welfare and the new welfare is that national funding is no longer guaranteed; rather it is subject to the annual appropriation process in Congress. Another key difference is that the funding for food stamps will be reduced by 28 billion dollars over the next six years. Because food stamp benefit levels were based on income levels, those who received less in AFDC could expect to receive more in food stamps. Food stamps essentially served to equalize disparities in AFDC.

Although the new law represents a major step in the direction of welfare reform, there are any number of flaws that still have yet to be ironed out. Therefore, it is my purpose in this paper to look at the new law in the context offering recommendations for improvement. One path for improvement might be to simply appropriate more money in those areas that are deficient. Another path might consist of incentives to businesses to hire those presently on welfare. But if the administration is truly serious about improving this legislation, it will recognize the opportunity it finally has to create new institutional structures aimed at generating greater employment. This would involve no less than breaking down bureaucratic distinctions between what has traditionally been referred to as welfare programs and what are often referred to as employment programs. On the contrary, the opportunity this legislation offers to the states to effectively create employment programs is an opportunity they should also seize to streamline programs already in place for assisting the unemployed with those for assisting welfare recipients.

To truly end welfare as we know it would involve eliminating the concept as we have understood it in large measure because of the stigma attached to it (Gans, 1995). But as the public increasingly supports the idea that people on welfare ought to work, it is now time to meet those expectations with a real commitment to work. Welfare, then, would be replaced with a meaningful program of employment which would have broader political appeal because it would end the artificial distinction between welfare assistance and unemployment insurance. As much as there is to detest in the new law, it should not obscure the potential to develop meaningful cooperative partnerships between the public and private sectors. As the new law requires more recipients to enter the labor market, the public sector will find it necessary to find ways in which it along with the private sector can create the job opportunities to absorb them. What is often

overlooked, however, is that to do this would cost a considerable amount of money -- more than is currently being appropriated. Ultimately, then, it becomes a test of values -- What commitments are we as a society willing to make in order to seriously address the problem.

The New Welfare

Under the new welfare, the entitlement status enjoyed under the old AFDC system no longer exists. Instead Congress will allocate to the states block grants to establish welfare programs that best meet their needs, and appropriations will be subject to the annual appropriations process. Although the new law is emphatic in that individuals are no longer entitled to welfare, it isn't clear that states cannot continue to make a claim of entitlement on the grounds that they are adhering to the requirements contained in the law. But in order to receive their grants, they must follow through with a whole array of federal regulations and report annually on the progress of implementation.

The old welfare was essentially a shared program between the states and the national government. Under the old AFDC program, the national government drew up some uniform standards that were to apply across the board. The states in turn would implement the program. The national government would on average finance about 55 percent of benefits with the states funding the rest. So long as states met the minimum benefit requirements, they were free to set their own benefit levels. The basic purpose of the old program had always been the provision of assistance to children. It was not set up as a program intended to specifically "move people from welfare to work" or to provide the kinds of training they might need in order to obtain work. It was assumed, however, that welfare would be temporary. Moreover, it was assumed that the

AFDC caseload would be comprised primarily of widows on the assumption that households with men wouldn't need assistance as their men would simply go out and work. By design, then, AFDC was structured so that mothers could stay at home and care for their children (Gordon, 1994). By the norms of the 1930s, it was preferable that widows of good moral character be able to keep their children at home instead of placing them in institutions (Teles, 1996; Katz, 1986).

On a practical level, however, it wasn't so easy to work. Regulations under the old program often discouraged work because for each dollar of earned income there would be a corresponding reduction in benefits. As welfare recipients would earn more, their benefits would increasingly approach zero. Similarly, they would suffer a reduction in food stamps. And if their income exceeded a certain threshold, they would suffer the loss of Medicaid assistance as well. Because these people would invariably be left worse off from working, it was simply unprofitable to work as opposed to collecting public assistance (Bane & Ellwood, 1994). Also because most regulations indicated that recipients would lose benefits were they to get married, many simply found it uneconomical to do so. This however, did not mean that states weren't free to experiment and attempt to redesign programs aimed at providing greater incentive to work or requiring something in return for their benefits. On the contrary, states always had the option of applying for federal waivers that would effectively exempt them from many of these regulations and free them up to experiment. The waiver process has its origins in the Social Security amendments of 1962, which were intended to move welfare mothers off of welfare and into the workforce by offering them services that might enable them to do so. They also included provisions for demonstration projects, in which the Secretary of Health and Human Services (then Health Education and Welfare) was given wide discretion without necessarily having to seek the

approval of Congress (Teles, 1996).

The stated purpose of the new law is to structure a new welfare system that will promote responsible motherhood and fatherhood, marriage and the family by providing greater flexibility to states so that they can create their own programs intended to meet these objectives. Or to state it differently, the new law seeks to end welfare as a way of life by requiring recipients to be self-sufficient, even under the threat of starvation. After two years, welfare recipients must participate in work programs, and they may not collect benefits for more than five years in their life time. The new law claims to be a break with the past because it aims to bring about a reduction in the welfare caseload by moving people from welfare to work. But insofar as these goals were initially expressed in the Family Support Act of 1988, it doesn't really represent a radical departure. The FSA initially sought to move people from welfare to work by mandating participation in the JOBS program. States were supposed to have achieved a participation rate of 20 percent by 1996 for single mothers with children under three, and a participation rate of 60 percent for two parent families. Under this program those recipients who participated would receive training and other related job skills. They would also receive child care assistance and the continuation of Medicaid, all of which would be necessary to enable recipients to take advantage of the opportunity to work. FSA, however, also had its sticks. Those who refused to participate could be penalized with the loss of benefits, and the law mandated measures to enforce child support from non-custodial fathers. But FSA continued to be administered by the Department of Health and Human Services.

FSA's principal shortcomings were that participation levels were low and child exemptions were high. Mothers with children under the age of three could be exempt from participation requirements in work programs. But despite these limitations, states were never

precluded from experimenting with their own reform initiatives. On the contrary, many states did indeed experiment through the federal waiver process. The Clinton administration -- which initially promised to end welfare as we know it -- had already been granting waivers.

Although the new law does differ in some significant ways from this earlier reform -- which in the minds of many -- continued to be associated with the old AFDC system -- it certainly does not represent a radical departure, for many of the state programs that are supposed to result have already been underway due to the waiver process. This is not to mention that the initial FSA encouraged reform "experiments" across the states (Thompson & Norris, 1995). The principal difference is that it ends the entitlement status of AFDC and thus subjects annual funding levels to the annual appropriations process. Instead of the Department of Health and Human Services being responsible for implementation, the states now implement their own programs, partially funded by federal block grants. But their freedom to devise their own programs is still circumscribed by an array of bureaucratic regulations. The key points are listed below:

- States are to require, not later than one year of enactment, a parent or caretaker receiving assistance to participate in community service employment with minimum weekly hours and tasks to be determined by the state.
- States are to operate a child support enforcement program.
- States that are successful in reducing out-of-wedlock births will be eligible for bonuses: $20,000,000 if there are five eligible states or $25,000,000 if there are fewer than five eligible states.
- States receiving grants are to impose mandatory work requirements and are to achieve minimum participation rates by the following years: 25% in 1997; 30% in 1998; 35% in 1999; 40% in 2000; 45% in 2001; and 50% in 2002 and thereafter.
- With respect to two-parent families, the minimum participation rate is to be higher: 75% in 1997 and 1998; and 90% in 1999 and thereafter.

- For those individuals and/or families who refuse to work, states may either reduce or terminate their assistance. A state, however, may not reduce or terminate assistance if the individual is a single custodial parent caring for children under six and the individual has demonstrated an inability to find needed child care.

- States may reduce or deny assistance to those deemed to be uncooperative in efforts to establish paternity.

- Individuals who have fraudently misrepresented residence in order to obtain assistance in two or more states can be denied assistance for ten years.

- States are to submit annual reports to Congress describing whether they are increasing participation rates and their objectives for increasing employment and earnings of the needy and child support payments and decreasing out-of-wedlock pregnancies and child poverty.

- The Secretary of Health and Human Services shall be required to rank states according to the most successful and the least successful programs.

Perhaps one of the most significant changes, if not most controversial, is the denial of public assistance to legal immigrants. Congress justifies this restriction on the contention that a basic principle in United States immigration law is self-sufficiency. The law states clearly that it is the continuing immigration policy of the United States that aliens in the U.S. not be public charges, and that the availability of public funds not serve as an incentive for immigration to the U.S. Therefore, the government has a strong interest in enacting new rules for eligibility and sponsorship agreements to assure that aliens will be self-reliant in accordance with national immigration policy. Under the new law, legal immigrants who enter this country on or after the enactment of this act are not eligible for any Federal means-tested public benefit for a period of five years, although exceptions are made for refugees and asylees. Legal immigrants are ineligible from receiving SSI and food stamps until they attain citizenship, although those who have worked for at least ten years may be exempted from benefits restrictions.

The new law does, however, offer additional block grants to the states to develop child care. Under the old law, there was a child care and development block grant (CCDBG) which consisted of two components: a discretionary program and a mandatory program. For 1996, funding for the discretionary program was $935 million and $1.1 billion for the mandatory program. Under the new law, funding for the discretionary program will be $1 billion each year between 1996 and 2002. Funding for the mandatory program will begin at $2 billion in FY 1997 and rise to a total of $13.85 billion for the entire 1997-2002 period. As with the temporary family assistance component, the goal is to allow states to have flexibility in developing child care programs and policies that best meet the needs of children and families in their states. The goal is also to promote parental choice so that parents will be able to make decisions that best meet their family's needs. In order to carry out these objectives an additional $6 billion over six years will be appropriated. Moreover, each state shall be entitled to payments for the purposes of providing child care assistance.

If we can take stock, the law mandates that the states will create work programs and will achieve specific targets for participation. They are also required to develop programs to reduce out-of-wedlock births and teenage pregnancies and they are not allowed, unless waivers are given by the Secretary of Health and Human Services, to extend benefits beyond the time limits or to give assistance to legal immigrants. One might wonder, then, just how much flexibility the states do have? While the states do have the discretion to devise work programs as they see fit, their greatest discretion appears to be in their ability to deny benefits. In conjunction with the child care provisions, the new law does allow states the option of denying food stamp benefits to those who fail to cooperate in the establishment of paternity for those children born out of wedlock.

Individuals can also be considered ineligible in the food stamps program if they haven't participated in a work program 20 hours a week or complied with the requirements of a work program as determined by a state agency.

And lastly, the law mandates that the Secretary of Health and Human Services is to establish and implement a strategy (no later than January 1, 1997) for the prevention of out-of-wedlock pregnancies and the assurance that at least 25 percent of communities in the U.S. have teenage pregnancy programs in place. The Secretary is then to provide annual reports to Congress with regards to progress in meeting these goals.

Effects?

As the new law essentially replaces the old AFDC and its JOBS component with a hodgepodge of state programs, a critical question is just what does this new law accomplish that the old did not. In assessing the effects there are two sides. One side is the immediate impact this legislation will have on both the welfare population and the states that must now develop new programs for them. The other side is whether it will have any substantive impact on poverty. That is, will it be more successful in reducing the number of people in poverty than those programs it has replaced? In terms of the first side, it isn't entirely clear just what the effects of the new welfare will be; only time will tell. Estimates, however, vary according to the imperative one attaches to welfare reform. Critics argue that it will push more people, especially children into poverty. The Center on Budget and Policy Priorities estimates that changes in funding could result in greater poverty among children. They cite an Urban Institute report that finds that the new law will push 1.1 million children and 2.6 million overall into poverty (Supor et al., 1996). Although

there could be some serious welfare experiments, results of these experiments are bound to vary from state to state. The ultimate result is an unknown, but what is clear is that by transferring the major responsibility for welfare back to the states, as well as setting the stage for subsequent reductions in welfare block grants, Congress has found a way to cut federal spending. In fact, the Congressional Budget Office (CBO) estimates that federal spending will be reduced by $2.9 billion during Fiscal year 1997 and by 54.2 billion during the 1997-2002 period (CBO, 1996). For those who believe that welfare reform is all about reducing federal spending for the purpose of achieving a balanced budget, this legislation might be viewed as a success. But this is only true if it is believed that welfare programs add up to that much of the federal budget, which they do not. Marmor et al. note that federal spending on means-tested programs amounted to only 11.8 percent of the federal budget in 1988 (Marmor, Mashaw & Harvey, 1990, p. 94)

Supporters, on the other hand, argue that it will enable state governments -- who traditionally had responsibility for implementation -- to develop grass roots programs that are better suited to their needs. Moreover, out of the spirit of what Louis Brandeis once referred to as the laboratories of democracy, states can perfect programs that in time may become models to the nation. Because of the waiver process some states have already developed programs, and these are the states that might find it easier to implement the new law, as they already have an infrastructure in place. Examples of this are Wisconsin, Massachusetts and Minnesota. Wisconsin, for instance, has been operating a waiver called "Wisconsin Works W-2" since 1993. It is a work-based program that seeks to break the poverty culture of dependency by requiring welfare recipients to work as a means of achieving self-sufficiency. But it also offers the support services essential for making work a viable option.

The W-2 program, and others like it, consists of four basic components: Unsubsidized employment, Subsidized employment, Community Service employment, and participation programs. Under unsubsidized employment efforts are made to steer those for whom it is possible into private sector jobs. Job centers in conjunction with private staffing agencies attempt to best match program participants with employer needs. In the process it is assumed that most participants with some assistance will be successful in finding private sector employment. This assumption isn't substantively different from those behind recent reforms in the unemployment insurance (UI) system at the national level; that individuals who receive job search assistance are more likely to find reemployment than those who do not. And state demonstration projects have indeed shown that job search does reduce unemployment spells by an average of one week (U.S. Department of Labor, 1995).

Nevertheless, in those cases where individuals are willing to work but lack sufficient background there is subsidized employment. These are essentially subsidized jobs on a trial basis in which subsidies are given to employers for the purposes of offsetting some of the initial costs of new employee training and supervision. In Wisconsin the subsidy averages $300 per month. In Massachusetts, employers receive $3.50 per hour for program participants for the first nine months and $2.50 per hour for the next three months. An employer in Massachusetts cannot accept more than ten percent of his/her employees into subsidized employment. Whereas in Wisconsin subsidized employment is not to exceed 24 weeks and is expected to result in permanent employment, one can participate in subsidized employment in Massachusetts up to 24 weeks.

For those who cannot be placed in either unsubsidized or subsidized employment, there is

the option of community service employment for those who need further development of work habits and other skills necessary to make them marketable in the labor market. In Wisconsin, recipients are placed in work assignments for durations of 6-9 months each and they can qualify for more than one assignment up to a maximum of 24 months. In Massachusetts, participants in community service positions must work a minimum of twenty hours per week in exchange for their benefits. And lastly, for those who legitimately are unable to perform independent self-sustaining work, even in a community service job, there is a participation program. In Wisconsin, these are, for the most part, those whose application for Supplemental Security Income (SSI) is pending or those who have mental or physical disabilities. Nonetheless, it is assumed that they do have capabilities and therefore, they are expected to engage in some work activities consistent with those capabilities.

Work-based programs operate on the premise that individuals who start off in community service employment will progressively move up the ladder, first into subsidized employment and then into unsubsidized employment. In Wisconsin, it is simply determined during the intake process which programs recipients will participate in. Massachusetts too has an intake process where it is determined who is exempt and who is not exempt from participation in some type of work requirements. Upon application for welfare intake workers determine whether recipients are exempt or not. DTA then makes available a wide array of services including Job Readiness and Job Search. Grantees are informed of job openings, including those jobs available through the Department's Full Employment Program, the Department of Employment and Training, JTPA Agencies, Regional Employment Boards (REBs), and local businesses. But perhaps what is critical to both programs is that they are no longer viewed as welfare programs per se, but as

something totally different. Both Wisconsin and Massachusetts have changed the names of their departments of welfare. For Wisconsin it is now called the Department of Workforce Development (DWD) and Massachusetts is now the Department of Transitional Assistance (DTA).

Although there is much similarity between the Wisconsin and Massachusetts waivers, there are some differences as well. Massachusetts, for instance, subjects those classified as "non-exempt" to a 2.75 percent reduction in their cash assistance benefits. But those same families will be permitted to retain more of their earned income. Those who have been determined to be non-exempt and who have received assistance for sixty days are then required to work a minimum of twenty hours per week. In two-parent households, both parents are subject to work requirements, but only one parent is required to work if children aren't of school age. Those who are placed through the Full Employment Program are to work forty hours per week, but they cannot be required to work more nor can they be used to displace regular employees or to supplant existing vacancies previously established. Grantees are to be paid a minimum of $4.50/hr. These wages are to be in lieu of assistance under AFDC and food stamps. Also, for those participating in the Full Employment Program, AFDC and the cash value of food stamps are to be pooled and used to reimburse employers for a portion of the wages they pay to grantees.

Minnesota too has tried its own waiver called the Minnesota Family Investment Program (MFIP) which it launched in April of 1994. Like the others, it too was intended to encourage work, alleviate poverty, and reduce dependence on public assistance. MFIP also integrates and replaces several of the old welfare programs with a program aimed at making work pay for families on welfare. This is accomplished primarily by decreasing the extent to which families'

welfare grants are reduced when they work. MFIP also pays child care expenses directly to the provider, which relieves participants of up-front costs.

Whereas the other two programs attempt to make early determinations with regards to who will be exempt and who will not, MFIP essentially distinguishes between long-term and short-term welfare recipients in a way similar to recent changes in the UI laws which attempt to identify those most likely to exhaust their benefits. Those identified as long-term are then required to participate in intensive employment and training services, which are specifically focused on the long-term who are less likely than others to find jobs without assistance and who also account for a large share of welfare expenditures. Single parents who have received welfare for 24 out of the last 36 months and two-parent families that have received welfare for six out of the last twelve months are required to participate. Instead of dealing with several programs, recipients now only have to deal with one bureaucracy, thereby increasing efficiency. But the major goals of MFIP are the promotion of employment, the reduction of poverty, and the reduction of dependence on welfare as the primary sources of income. In an assessment of this program, the MDRC found that MFIP decreased the share of single-parent recipients who were no longer receiving welfare by 4.3 percentage points and increased the share of those who were officially combining work and welfare by 14.3 percentage points. MFIP increased the share of recipients who were either not on welfare or combining work and welfare by 10.1 percentage points (Knox, Brown & Lin, 1995).

Although there are differences between these programs to be sure, what they appear to share in common is an attempt to break the poverty culture of dependency through the creation of work programs. They are essentially centered on work-based reform, and were each state to adopt a work-based program along these lines, the nation might well be on its way towards

effective welfare reform. And to a large extent, they embody many of the concepts contained in the earlier FSA, in as much as they strive to move people from welfare to work by providing the types of services that will enable them to do so. On the other hand, insofar as they may involve subsidies to employers, the question remains with regards to what happens after the subsidies run out. Although some of the programs attempt to offer some technical training to the hard core unemployable, it would appear that a major underlying premise of all these efforts is an assumption that what these recipients need the most -- more than specific skills development -- is the development of work habits. So even after subsidies run out and they are ultimately let go, they will have developed the type of work habits that can make them more attractive in the labor market. And yet, it doesn't follow that there will be any more jobs available to them at that point than have been available in the past. On the contrary, work and/or training requirements only address one aspect of an unemployment problem, mainly the supply of skilled labor. They do not address the other side of the unemployment issue -- the demand for labor (Marmor, Mashaw & Harvey, 1990, p. 121).

Still, work-based reform along these lines would cost the nation considerably more than it has been spending. The expected cost in Wisconsin, for instance, for Fiscal year 1997-1998 is $1.091 billion, of which $653 million is from federal bock grants. This means that the difference comes from state funds. For 1995, there were 72,366 AFDC cases in Wisconsin. To spend this entire budget on the entire caseload means that the cost per case is roughly $15,070. Were we to attempt to implement this plan nationwide, we could expect to see costs increase to approximately $72.6 billion.[1] Even with the cutoff of legal immigrants, it could still cost $67.5 billion.[2] Under the old welfare, AFDC spending in 1995 was roughly $22 billion of which $12 billion came from

the federal government and $10 billion came from the states.[3] Federal spending on the JOBS component of the FSA alone was capped at $1 billion. The nation was spending another $25 billion on food stamps and another $25 billion still on the Earned Income Tax Credit (EITC). Although there are supposed to be reductions in food stamps, most of that budget will remain in tact. The EITC budget can also be expected to remain in tact. According to the CBO, the base level of the federal block grant is to be fixed at 16.4 billion annually through 2002. Still, states would essentially be required to come up with the remainder. At the same time, however, the new law only requires states to spend at a rate equal to 80 percent of what they were spending under the old law. Given that federal funding for cash assistance is expected to be frozen for the next five years, it may be difficult for states to maintain existing benefits in the event that poverty grows either as a result of recession or changing demographics. There are provisions for a Rainy Day Fund that would allow states to borrow during recessionary periods, but it is doubtful that federal funds will be increased to absorb those who otherwise would be covered under the old law. States might find themselves in the position of having to choose between using their own money to sustain welfare programs, restricting entry, or cutting back benefits (Peterson, 1996).

In the immediate short term we could expect to see states implementing portions of this law on at least $2 billion less. It should also be noted that the Wisconsin program, and others like it, rely heavily on wage subsidies from the EITC. Program costs, however, are over and above EITC costs. The legislation does provide for $14 billion in child care funding as well as strict new child support enforcement measures, and it is estimated that stricter child support will raise an additional $24 billion. Even if we could assume all this to be true and add to the 16.4 billion the federal government might continue to spend through block grants another 38 billion, we would

still be short about $18 billion. High costs states are going to be hurt more than low cost states. But already those states with a history of low provision like Alabama and Louisiana find themselves with greater relative shortfalls. This can be seen below in Table I.

Table I State Comparisons by Grant, Estimated Costs and Shortfall

State	*Grant*	*Estimated Cost*	*Shortfall*
Alabama	93,006,115	708,290,000	615,283,885
Alaska	63,609,072	180,840,000	117,230,928
Arizona	222,419,988	1,054,900,000	832,480,002
Arkansas	56,732,858	361,680,000	304,947,142
California	3,733,817,740	13,849,330,000	10,115,512,260
Colorado	135,553,187	587,730,000	452,176,813
Connecticut	266,788,107	919,270,000	652,481,893
Delaware	32,290,981	165,770,000	133,579,019
District of Columbia	92,609,815	406,890,000	314,280,185
Florida	560,955,558	3,451,030,000	2,890,074,442
Georgia	330,741,739	2,094,730,000	1,763,988,261
Hawaii	98,904,788	331,540,000	232,635,212
Idaho	31,851,236	135,630,000	103,778,764
Illinois	585,056,960	3,556,520,000	2,971,146,304
Indiana	206,799,109	994,620,000	787,820,891
Iowa	130,088,040	542,520,000	412,431,960
Kansas	101,931,061	421,960,000	320,028,939
Kentucky	181,287,669	1,130,250,000	948,962,331
Louisiana	163,971,985	1,205,600,000	1,041,628,884
Maine	78,120,889	331,540,000	253,419,000
Maryland	229,098,032	1,115,180,000	886,081,968
Massachusetts	459,371,116	1,507,000,000	1,047,628,884
Michigan	775,352,858	3,029,070,000	2,253,717,142
Minnesota	266,397,597	858,999,000	592,592,403
Mississippi	86,767,578	783,640,000	696,872,422
Missouri	214,581,689	1,341,230,000	1,126,648,311
Montana	45,534,006	180,840,000	135,305,994
Nebraska	58,028,579	226,050,000	168,021,421
Nevada	43,976,750	241,120,000	197,143,250
New Hampshire	38,521,261	165,770,000	127,248,739
New Jersey	404,034,823	1,793,330,000	1,389,295,177
New Mexico	126,103,156	527,450,000	401,346,844
New York	2,359,975,147	6,886,990,000	4,527,014,853
North Carolina	302,239,599	1,898,820,000	1,596,580,401

North Dakota	25,888,452	75,350,000	59,461,548
Ohio	727,968,260	3,435,960,000	2,707,991,740
Oklahoma	148,013,558	678,150,000	530,136,442
Oregon	167,924,513	587,730,000	419,805,487
Pennsylvania	719,499,305	3,089,450,000	2,369,850,695
Rhode Island	95,021,587	331,540,000	236,518,423
South Carolina	99,967,824	738,430,000	638,462,176
South Dakota	21,893,519	90,420,000	68,526,481
Tennessee	189,787,994	1,446,720,000	1,256,932,006
Texas	486,256,752	4,114,110,000	3,627,853,248
Utah	74,952,014	256,190,000	181,237,986
Vermont	47,353,181	150,700,000	103,346,819
Virginia	158,285,172	1,085,040,000	926,754,828
Washington	399,636,861	1,537,140,000	1,137,503,139
West Virginia	110,176,310	572,660,000	462,483,690
Wisconsin	318,188,410	1,115,180,000	796,991,590
Wyoming	21,781,446	75,350,000	53,568,554
Total	16,389,114,288	72,501,770,000	56,112,655,712

Source: The first column is from the Department of Health and Human Services' State allocation sheet downloaded from the Internet. The second column are author's calculations based on multiplying $15,070 per case by the state caseload for 1995. The caseload figures come from U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book* (Washington, U.S. Government Printing Office, 1996), pp. 462-463

It should be noted that shortfalls may be overstated because the actual grants do not reflect child care assistance and other block grants. Still, were smaller states to have to come up with the difference, many could find their fiscal capacities strained considerably. Although larger and wealthier states like California and New York might be able to mobilize greater resources, they still face considerable shortfalls. As mentioned earlier, those states that already have a history of low welfare provision under the old AFDC system, along with those who haven't attempted anything under the waiver process, could have the most difficulty in implementing provisions of the new law. It is perhaps in these states where we could see the greatest race to the bottom. At the same time, it should also be noted that shortfalls for high immigrant states like New York and

California may also be overstated, as figures for overall caseloads currently reflect the mix of legal immigrants along with native born Americans.

The other question is just what the effects might be on poverty. Here the question might be whether this new law connects in any way with what we know about poverty and people on welfare. The assumption of the law is that people are on welfare because in many cases they had children out of wedlock and as teenagers. Because they became pregnant they were forced to drop out of school and thus they lack many of the skills necessary to obtain jobs paying above the minimum wage. That Congress finds the caseloads to have increased at a time when out-of-wedlock births and teenage pregnancies also increased doesn't mean that one is the cause of poverty. What it does reflect is the belief that those on welfare have different behavioral traits than those considered to be part of the mainstream middle class.

Research on poverty is unfortunately divided into partisan schools of thought: economic v. behavioral. The economic school essentially argues that those on welfare are poor because they lack the skills necessary to obtain jobs that will lift them out of poverty, and that those jobs that do exist simply do not pay much above the minimum wage. Given that these individuals will not be any better off from working in contrast to a social safety net that offers them more than jobs at the bottom end of the pay scale, there is no rational reason to forsake welfare for work (Bane & Ellwood, 1994; Murray 1984). Were we to live in a stronger economy in which more better paying jobs were available, there would be fewer people living in poverty. At the same time, it is recognized that jobs do exist at the bottom end of the pay scale. Rather the problem is that most people on welfare will not qualify for anything better (Burtless, 1995). Much of the economic school is buttressed by studies demonstrating the relationship between income and educational

attainment (Murnane, 1994; Card & Krueger, 1992a & 1992b; Card & Sullivan, 1988; Freeman & Holzer, 1986). And they are further reinforced by a literature illustrating a widening gap in income distribution (Danziger & Gottschalk, 1995; Wolff, 1994; Hungerford, 1993; Levy, 1988).

The behavioral school suggests that people are poor because of their own personal defects. It is a throwback to an earlier era when "deserving" or "worthy" poor were distinguished from the "undeserving" or "unworthy" poor. The worthy poor were usually the elderly, widows, the disabled and children -- those who were poor through no fault of their own. The unworthy poor were the able-bodied who did not work because they were lazy. Jobs do exist and the primary reason why people don't work is because they haven't properly been socialized into the work ethic. Had public assistance programs made it clear just what was required of the poor -- such as work for example -- many of the pathologies plaguing the inner city that we commonly associate with welfare might simply not exist (Banfield, 1974; Mead, 1986; Kaus, 1992).

If it is true that poverty in the U.S. is a self-reinforcing culture rooted in a set of permissive social policies, the new law will certainly force people to look elsewhere for subsistence. But if poverty is a function of insufficient jobs coupled with a lack of educational attainment, it is hard to see how this law will improve the situation. In truth, poverty may be a function of both. Wilson, for instance, has argued that many of those who comprise what we now refer to as the "underclass" migrated to the cities from the rural farms in the South in search of higher paying industrial production jobs. As they were migrating north, the economy was undergoing a shift with many of the industrial jobs moving out of the cities, first to the suburbs and then out of the country. With no jobs left in the inner city and no way to get out to them in the suburbs, these people were left in ghettoes with no economic prospects. But along with the

jobs, positive role models for work and appropriate patterns of socialization disappeared as well (Wilson, 1987). Even Mead, a strong proponent of the behavioral school maintains that the new law backs away from a true commitment to work (Mead, 1996). A look at the demographics of the 1994 AFDC population, for instance, suggests that some aspects of each model might have some currency.

Table II Demographics of AFDC Population

Average Family Size (persons)	2.8
Number of child recipients (percent of AFDC cases	
One	42.6
Two	30.0
Three	15.6
Four or more	9.6
Unknown	2.1
Basis for eligibility (percent children)	
Parents present:	
Incapacitated	4.9
Unemployed	8.7
Parents absent:	
Death	1.7
Divorce or separation	26.5
No marriage tie	55.7
Other reason	2.0
Unknown	1.4
Education of mother (percent of mothers)	
8th Grade or less	4.0
1-3 years of HS	17.6
High School Degree	24.1
Some College	7.7
College Graduate	.5
Unknown	46.0
Age of mother (percent of mothers)	
Under 20	6.3
20 to 24	24.6
25 to 29	22.6

30 to 39	34.9
40 or over	11.5
Unknown	---
Age of Children (percent of recipient children)	
Under 3	23.8
3 to 5	22.1
6 to 11	31.7
12 and over	22.2
Unknown	0.3
Mother's employment status (percent)	
Full-time job	3.3
Part-time job	4.6
Presence of Income (percent families)	
With earnings	8.9
No non-AFDC income	77.5
Median months on AFDC since most recent opening	22.8
Race (percent parents)	
White	37.4
Black	36.4
Hispanic	19.9
Native American	1.3
Asian	2.9
Other or unknown	2.1
Incidence of households (percent)	
Living in public housing	8.3
Participating in food stamps or donated food program	88.6
Including nonrecipient members	46.4
Father's relationship to youngest child (percent)	
No father	89.4
Natural father	NA
Adoptive father	NA
Stepfather	NA

Source: *1996 Green Book*, pp. 473-474

What particularly stands out is that a significant proportion of the welfare mothers do not have a

significant level of educational attainment that would qualify them for jobs paying much more than minimum wage. This would imply the need for basic education programs. But given that a sizeable population have children below the age of five, policy must seriously address the issue of child care. Although the new law assumes child care to be a critical component in the ability of welfare mothers to move from welfare to work, it isn't clear that it is being addressed correctly. It still assumes that child care is a problem stemming from the failure of fathers to pay their child support. Certainly tough enforcement may help some mothers to live above the poverty line, but it doesn't necessarily furnish the facilities to watch children while their mothers go out to work. More to the point, however, it isn't clear that tough enforcement of child support will produce that much more money if many of these fathers are either unemployed or in low wage jobs themselves.

Implications

The problem with relying on states to devise their own programs is that there is no guarantee that they will opt for one as ambitious as some of the serious work-based programs already out there. On the contrary, given the fiscal constraints in most states, it is more likely that they will opt to perform the minimum requirements under the law. The new law does allow them wide discretion in denying people whatever assistance. Even those states that opt for strong work-based plans, we shouldn't be surprised if attempts are made to limit eligibility for those components offering the job training.

And yet, much of the emphasis of the new welfare is on work and training requirements. Although an important subtext is that much of the poverty suffered is a function of insufficient

education and skills, it isn't at all clear that there is any more of a commitment to develop training programs now than was the case in the past. Rather the emphasis appears to be on the development of "proper" work habits. Still, the question remains as to just what lessons can be drawn from training programs. In a fairly recent study by the Department of Labor, it was noted that some types of programs are indeed more successful than others. As part of a study designed to explore the merits of worker profiling for unemployment insurance recipients, New Jersey conducted a demonstration project -- the New Jersey Unemployment Insurance Reemployment Demonstration Project (NJIRDP) -- where it looked at three different treatments: job search assistance(JSA) only JSA combined with training or relocation assistance, and JSA combined with cash bonuses for early reemployment. Overall each treatment reduced the amount of UI benefits received both in the initial benefit year and in subsequent years. Though a relatively small number of claimants in the JSA plus training or relocation treatment received on-the-job training, those who did had a significantly higher earnings than did the assessed JSA only claimants in all quarters following the first quarter after the claim date. It was found that on-the-job training had both a substantial and statistically significant impact on earnings and weeks worked throughout the six-year follow-up. The estimated impact on earnings was equal to $9,000 to $15,000 per year, and the estimated impact on additional weeks worked was twelve to eighteen . By contrast, the JSA only group did do better than the control group, but not as well as the subgroup of JSA plus training that received on-the-job training. Here it was estimated that members of this group increased their earnings by an average of $608 relative to members in the control group. With another $128 in additional fringe benefits, the total increase was equal to $736 in compensation (Department of Labor, 1995). As welfare bureaucracies will be forced to engage in serious

profiling, a case could be made that a strong training component on top of it could be useful. At the same time, however, it isn't entirely clear that training programs per se are the most cost efficient means of achieving an objective.

In a study of JOBSTARTS, one of the Job Training Partnership (JTPA) programs targeted specifically at youths who were school dropouts, the Manpower Development Research Corporation (MDRC) found the effects to be mixed. Among the provisions of the FSA of 1988 were increased educational services for young women receiving AFDC. The 1992 amendments to the JTPA had created a separate year-round youth program known as JOBSTARTS requiring that those youth with serious barriers to employment and/or young school dropouts be provided with increased educational services. The goals of JOBSTART were to increase participation in education and training activities by a group who otherwise would be little served. The goal of the JOBSTART evaluation was to estimate the difference that access to programs made for its target population. What the evaluation showed was that the overall impact of JOBSTART on earnings for a 48 month impact sample was a statistically insignificant gain of $214 or 1.3 percent of what they would have earned over four years had they not had access to JOBSTART at all. Those in the experimental group earned on average $17,010 while those in the control group earned on average $16,796.

At the same time, there were differential impacts on different groups. Custodial mothers, for instance, in the experimental group had a gain of $625 or 7.5 percent over their control group's mean of $8,334. For other women in the experimental group, the gain was smaller -- $613 or 4.6 percent of their control group's mean of $13,310. For men, however, there was actually a loss. Men actually lost $273 or 1.2 percent of their control group's mean of $23,637.

Still, this has to be weighed against the average cost per experimental in delivering JOBSTART services -- including intake, education, training, job placement assistance, counseling and life skills workshops -- which ran from $4,000 to $5,500, depending on the site. In New York City, for instance, the average cost ran as high as $7,500. This would be measured against the average cost of $3,839 per pupil for public education during 1985-86 school year -- the first year of operation for the JOBSTART program (Cave, Bos, Doolittle & Tousant, 1993). Given that most of the welfare caseload is comprised of custodial mothers, many of whom never finished school, services like this might be beneficial.

Given that societal norms may have changed, particularly with regards to the expectation that mothers will stay at home and it is indeed demanded that they work, it is perhaps time to end the artificial distinction between employment policy and welfare policy. Instead of increasing funding for existing programs, the administration might want to consider appropriating more money for these efforts. Despite the mixed results of job training , they are still going to be useful for some people. Therefore, the Administration might want to look at ways for which existing job training programs could be streamlined with these efforts as well. If implemented correctly, states would essentially be embarking on more comprehensive employment programs. The key, then, would be to add greater unity and coherence to them. Also, given that the new welfare is no less regulatory than the old, it might not be unreasonable to require that all states model their own programs along these three work-based plans. Those who do it sooner might even be offered bonuses for doing so. The only apparent obstacle, then, would be coming up with the funds to pay for it. But given recent reform of the unemployment insurance system (UI), with the Unemployment Compensation Amendments of 1993, this task may not be as complicated as it

might seem.

These amendments established a system of Worker profiling whereby individuals upon filing for UI benefits are profiled according to their demographic characteristics and the characteristics of their occupations and industries in efforts to identify those likely to be unemployed for long periods of time. Those so identified are then targeted for job search assistance. In an earlier brief, I argued that the UI system could form the basis upon which the long-term unemployed receive training in order to better meet the new demands of the labor market. Also that this training could be provided by offering vouchers -- which would in part come from the long term UI benefits the long-term unemployed would have received -- to employers to offer on-the-job training. This way employers would be able to train their workers in those ways that best meet their needs (Levin-Waldman, 1996).

This concept of offering vouchers or subsidies to employers is something that both Wisconsin and Massachusetts have already embraced. Moreover, the President has indicated that he may looking for incentives in the form of vouchers to employers to hire welfare recipients. Phelps has suggested that subsidies would be a good way of stimulating demand for low-wage labor (Phelps, 1994). Danziger and Gottschalk too note that the lowering of costs to employers of hiring a specific group could be beneficial in two ways: Firms might now find it more profitable to hire the subsidized less-skilled workers instead of the more skilled workers. And the reduction of total costs might enable firms to expand their output. Whereas the former could be directly beneficial to the welfare population specifically, the latter could ultimately be beneficial to all groups including the less skilled workers. But as they further argue, two conditions would have to be met. First, firms would have to be able to easily substitute among different types of workers.

And second, the employer must not take the subsidy as an indication that the workers' productivity is low. And yet evidence on subsidies to employers isn't very promising. They note that when Congress passed the Target Jobs Tax credit (TJTC) and the Youth Incentive Entitlement Pilot Projects targeted towards employers in the inner cities, there were few employers willing to participate. Rather, employers may have been unresponsive because they may have viewed the subsidy as an indication that these workers simply were not good employees (Danziger & Gottschalk, 1995, pp.166-168). But despite previous efforts at employer subsidies, it is probably the case that they may still be essential inducements for employers to participate in the types of cooperative partnerships with public officials that will necessarily move recipients from welfare to work. Still, it should be noted that the provision of subsidies wouldn't ensure the continuation of employment after the subsidy period ends.

At the same time, if we could end the welfare/unemployment distinction and simply offer training vouchers to workers, current welfare recipients might find that they have an easier time because the stigma no longer exists. Therefore, it would seem logical to look towards the current UI system for the resources necessary to implement more comprehensive employment programs. At a minimum, the law ought to be toughened to require all states to promote job search assistance. In the end, this could prove to be more effective than simple workfare. A truly streamlined welfare/work bureaucracy would ultimately give substance to the Employment Act of 1946 whereby the objective of policy would be to ensure that all those who want to work are able to do so. A work-based policy would embody the following principles:

- All assistance programs are predicated on the notion that people need to work. The goal of public policy is to provide opportunity; not entitlement.

- Unemployment Offices should no longer distinguish between those who were recently laid off and those who have been on welfare. Each applicant should be evaluated on the basis of what services each would need in order to obtain employment.

- Demographic profiling ought to be used to identify those most likely to have the greatest difficulty in obtaining work. They should be targeted for education and training types of programs.

- Existing unemployment, job training and welfare budgets and bureaucracies should be combined into single programs, albeit they may be administered separately by the states.

- If subsidies are what it takes to get employers to take a chance, it is probably a better expenditure of money than simply paying individuals directly to sit at home and do nothing.

What I am suggesting, then, is that welfare bureaucracies can be streamlined with employment bureaucracies. Congress, to some extent, has already done this with its recent passage of the Workforce Development Act, which consolidates Federal employment training programs and creates a new structure for their funding, principally through block grants. The Workforce Development Act essentially consolidates more than 100 federally funded training programs, administered by fifteen different federal agencies and at a cost of more than $20 billion annually. The idea behind this law was to make the U.S. more competitive globally by eliminating the fragmentation inherent to the old training system and create "coherent, integrated statewide workforce development systems designed to develop more fully the academic, occupational, and literacy skills of all segments of the workforce."

Consolidated workforce development works in much the same way as the New welfare. States submit plans to a national Governing Board. These plans detail how states, after they have created their own governing boards, intend to implement plans for the development of their respective workforces. Just as they will have to with the new welfare, the new Workforce

Development Act requires states to offer a core set of set of services which at a minimum shall include: outreach, intake, and orientation to whatever information and services are available through one stop career centers; initial assessment of skill levels, aptitudes and abilities and supportive service needs; job search and placement assistance and career counseling if appropriate; customized screening and referral of qualified applicants to employment; and the provision of accurate information relating to local labor market conditions. This information would include profiles of growth industries and occupations as well as the educational and skills requirements of jobs in those industries and occupations, and their earnings potential.

Though they aren't required to, states are allowed to provide through their statewide systems: on-the-job training; occupational skills training; entrepreneurial training; training to help workers develop work habits which will enable them to obtain and retain employment; rapid response assistance for dislocated workers; skills upgrading and retraining for those not in the workforce; preemployment and work maturity skills training for youth; connecting activities that organize consortia of small and medium sized businesses to provide work-based learning opportunities for youth in school-to-work programs; programs for adults that would combine workplace training with related instruction; services to assist individuals in attaining certificates of mastery with regards to industry-based skill standards; case management services; supportive services such as transportation and financial assistance so that individuals can participate; and follow up services for those who are placed in subsidized employment. Much of this already sounds like the services that many state find they need to provide.

Ultimately, however, whatever it is called, workforce development involves considerable emphasis on training. And to the extent that welfare recipients will under the new welfare be

required to participate in education and training programs, the new welfare effectively moves in the same direction. Just as the new welfare returns welfare policy to the states under a uniform set of Federal regulations, so too does the new law on workforce development. The question, however, is why workforce development, welfare reform and unemployment insurance should be operated as separate entities. If the goal of the new welfare is to end dependency and foster a greater work ethic, this goal needs to be tied more closely with existing policy aimed at developing the workforce. Not only would this lead to greater efficiency in the delivery of public services, it would end the stigma already attached to welfare. Instead of viewing this as welfare policy with new flexibility, we should look at it as an opportunity to end the artificial distinction between UI and welfare. The reason for the initial bifurcation was to generate a base of political support for a set of measures that historically speaking were anomalous. The public would be willing to support social security because it paid into it. It would be willing to support UI because it was just that -- insurance which it worked for (Weir, Orloff, & Skocpol, 1988). But the public now supports work for welfare recipients, and it makes no sense to continue the stigma currently attached to welfare. The goal is to enable people to work and to indeed facilitate that process. The opportunity to improve on the new welfare legislation, as the Clinton administration has promised, may finally present the nation with an opportunity to create more comprehensive employment programs. But in order for the concept of work and employment policy to replace the concept of welfare and public assistance policy, there needs to be in place a new institutional structure.

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Notes

1. This figure is derived from multiplying the cost per case by the national caseload, which according to unpublished tables by Administration for Children and Families in the Department of Health and Human services was 4.818 million. This estimate represents an average. It does not take into account cost of living disparities or the different costs associated with addressing entrenched social pathologies. Therefore, $15,070 per case might overstate the costs in places like Arkansas and Mississippi but understate them in places like New York and California.

2. This is based on a personal communication with the House Ways and Means Committee in Congress that indicated that legal immigrants only accounted for seven percent of the old AFDC caseload.

3. These figures are drawn from the *1996 Green Book*, p. 459

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