Welfare Reform Policy From Nixon to Clinton:

What Role for Social Science?

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Revised December 1999

Paper prepared for Conference, "The Social Sciences and Policy Making," Institute for Social Research, University of Michigan, March 13–14, 1998.

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Social scientists have conducted hundreds of empirical studies related to various aspects of welfare policies in the 35 years since the War on Poverty was declared. Major findings of this research and their policy implications were virtually ignored, however, in the welfare reform debates leading up to President Clinton's signing of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the PRWORA). This Act, the most significant welfare reform since the 1930s, ended the entitlement to cash assistance and dramatically changed the nature of the social safety net. The welfare program the Act created—the Temporary Assistance to Needy Families Program (TANF)—implicitly assumes that almost everyone who is willing to search for a job will get hired and be able to attain self-sufficiency before the new time limit on the receipt of cash assistance becomes effective.

This assumption ignores numerous studies that document how employer demand for less-skilled workers has declined over the past quarter century (e.g., Freeman and Gottschalk 1998; Levy and Murnane 1992.) Policy makers should have known that declines in employer demand make it very difficult for many welfare recipients to get a job and earn enough to support their families without continuing supplementation from welfare or other forms of government assistance.

Whereas politicians ignored available research on changes in labor demand for less-skilled workers, social scientists should be faulted for not having pursued research on an important aspect of labor supply—the labor market capabilities of welfare recipients. For the

most part, little research prior to the mid-1990s focused on the extent to which welfare recipients have an array of personal barriers—e.g., physical and mental health, substance abuse, and domestic violence problems—that make their labor market prospects even more problematic than those of other less-skilled workers.

Welfare reform was "put into play" by Candidate Clinton's 1992 promise to "end welfare as we know it." This promise drew on social science research, especially analyses of the Michigan Panel Study of Income Dynamics (Duncan et al. 1984; Bane and Ellwood 1986), and evaluations of randomized welfare-to-work demonstrations (Gueron in this volume; Gueron and Pauly 1991). These analyses and evaluations had been widely discussed during the welfare debates of the late 1980s (Baum 1991; Haskins 1991; Wiseman 1991), and they influenced the development of the president's own 1994 welfare reform proposal (Ellwood 1987, 1988). Yet, the rejection of the Clinton Administration proposal and the debates that culminated in the 1996 Act are notable for their inattention to social science findings that conflicted with the primary goal of the Act's proponents—reducing the welfare caseload.

In section I, I review the evolution of welfare reform proposals from the War on Poverty through President Nixon's Family Assistance Plan, President Carter's Program for Better Jobs and Income, the workfare demonstration projects encouraged by the Omnibus Budget Reconciliation Act of 1981, the Family Support Act of 1988, and the 1996 PRWORA. Over this quarter century, expectations for work on the part of single mothers steadily increased, whereas support for their entitlement to cash assistance and the inflation-adjusted value of welfare benefits steadily declined. At the same time, as I discuss in the second section, the labor market prospects of less-skilled workers were declining. The third section

reviews recent evidence comparing welfare recipients to nonrecipients across a range of labor market experiences and personal attributes, and makes the case that recipients have employment and earnings prospects that are inferior to those of the typical less-skilled worker. The paper concludes that, because of declining employer demand for less-skilled workers in general and because of the personal and labor market disadvantages of long-term welfare recipients, in particular, even though the 1996 welfare reform has contributed to dramatic declines in the welfare caseload, it has also contributed to increased economic hardship for some former recipients.

I. A Brief History of Welfare Reform Policy

Welfare reform proposals in the late-1960s sought to reduce poverty by extending welfare eligibility and raising benefit levels, even though these provisions would have increased total welfare spending. Later, as public dissatisfaction with rising welfare rolls and spending increased, greater attention was paid to constraining budgetary costs and to promoting work incentives, work opportunities, and work requirements, all of which came to be applied to mothers with children at increasingly younger ages. Research techniques have became more sophisticated since the 1960s and research findings accumulated as social scientists carried out the negative income tax experiments in the 1970s and the welfare-to-work demonstrations and analyses of panel data on welfare spells in the 1980s and 1990s. A consensus emerged from this research that any shift from a cash-based to a work-based safety net was feasible but would be difficult (Gueron in this volume; Bane and Ellwood 1994).

In a brief interlude following passage of the Family Support Act of 1988, expectations for the personal responsibilities of recipients and the mutual responsibilities of government were both increased. Although the Family Support Act drew heavily on research evidence and was passed with strong bipartisan support, its lessons were set aside when President Clinton made further welfare reform one of his most visible campaign priorities. In the mid-1990s, Congress and President Clinton followed a different path—one that neglected much of what social scientists had documented. They increased expectations of personal responsibility on the part of recipients even further and diminished government's responsibility for the economic well-being of the poor.

In late 1999, three years after passage of PRWORA, the entitlement to cash assistance has ended and welfare rolls have declined more dramatically than almost any analyst had predicted when the Act was passed. In part, this is because the economy has grown so rapidly, and in part, because states have so aggressively pursued caseload-reduction strategies (Danziger, ed. 1999). However, an effective work-based safety net is not in place—there is no guarantee that a welfare recipient or former recipient who seeks work but cannot find a job will receive any cash assistance or any opportunity to work in return for assistance.

I now turn to discussion of the major welfare reform proposals of the last quarter century. I focus on the rise and fall of poverty reduction as a welfare reform goal and then show how "ending welfare as we know it" came to focus primarily on the goal of caseload reduction.

The War on Poverty

War on Poverty was declared by President Johnson in 1964. The strategy proposed included a broad range of policy instruments but did not include either a public jobs program or an increase in cash welfare (except for the aged and disabled), although these were advocated by several policy makers at the time. Little attention was paid to the issues of welfare dependency or public sector jobs of last resort because the president's economic advisors thought that if stable economic growth could be maintained, as it had been since the end of World War II, government programs and policies could eliminate income poverty if sufficient resources were devoted to the task.

The most important components of the initial War on Poverty proposals emphasized labor supply policies to raise the low labor market productivity of the poor (Lampman 1959, 1971; U.S. Council of Economic Advisers 1964). Poverty was high, according to the Administration, because the poor did not work enough or because their skills were insufficient even if they worked hard. Thus, employment and training programs were established or expanded to enhance individual skills, especially for young people, through classroom education and on-the-job training. Graduates were given job search assistance and launched into the labor market with little concern about the public provision of post-program jobs, since unemployment rates were at historically low levels, even for less-skilled workers.

Little attention was focused on welfare dependency during this period because the total caseload was quite small, about 4 million recipients in the mid-1960s. However, in the aftermath of program liberalizations fostered by the War on Poverty, caseloads increased to about 6 million by 1969, leading to proposals for welfare reform.

The Family Assistance Plan

In 1969, President Nixon proposed the Family Assistance Plan (FAP) as a replacement for the Aid to Families with Dependent Children Program (AFDC) (Burke and Burke 1974). FAP included a national minimum welfare benefit coupled with a work requirement. However, the president stated ". . . a welfare mother with pre-school children should not face benefit reductions if she decides to stay home. It is not our intent that mothers of pre-school children must accept work" (Nixon 1969). The president's view was consistent with both the original goal of AFDC and the conventional wisdom of the 1960s that mothers of young children should stay home and care for them. FAP and other contemporary negative income tax (NIT) or guaranteed income plans (Lampman 1965; Tobin 1966) emphasized the extension of welfare to two-parent families, the establishment of a national minimum welfare benefit, the reduction of work disincentives arising from AFDC's high marginal tax rate on earnings, and the de-coupling of cash assistance and social services.[1] The view that welfare recipients needed assistance from social workers was replaced by the view that their primary needs were economic.

Welfare reform continued as a focus of federal policy debates after the legislative defeat of FAP. Even though a cash NIT for all poor persons never passed, the Food Stamp program evolved into one—by the mid-1970s it provided a national benefit in food coupons that varied by family size, regardless of state of residence or living arrangements or marital status. The income maintenance system continued to expand between the late 1960s and the mid 1970s as new programs were introduced, benefit levels were increased, and eligibility requirements were

liberalized. The number of AFDC recipients increased from about 6 million to 11 million and the number of food stamp recipients, from about 1 million to 19 million over this period. As higher cash and in-kind benefits became available to a larger percentage of poor people, the work disincentives and high budgetary costs of welfare programs were increasingly challenged. The public and policy makers (but not most social researchers) came to view increased welfare recipiency as evidence that the programs were subsidizing dependency and encouraging idleness (Anderson 1978; Murray 1984).

Because income maintenance policies cannot both increase work effort and reduce the number of people receiving welfare, renewed attention was focused on raising the employment and earnings of the poor via labor market policies. In addition, higher unemployment rates—particularly those of youth, women, and minorities—brought on by recession in the early 1970s shifted concerns from augmenting the labor market skills of the disadvantaged to increasing their employment opportunities.

The first public service employment (PSE) program since the Great Depression was enacted as part of the Emergency Employment Act in 1971, primarily as a countercyclical device to fund about 100,000 jobs with state and local governments. PSE slots were increased by the Comprehensive Employment and Training Act of 1973 (CETA) and became the largest component of the employment and training budget at that time. Amendments to this act in 1976 targeted a greater percentage of the PSE jobs on the disadvantaged, particularly the long-term unemployed and welfare recipients. Even though concerns about structural unemployment

[1] A negative income tax provides a certain payment, "the guaranteed income," for a family with no other income. This amount is then reduced as the family's income increases until the "break-even point" is

increased, relatively few AFDC recipients participated in CETA, since it was still considered appropriate for the mothers of young children to remain at home and care for them. Nonetheless, CETA represents the most extensive recent public response to inadequate labor demand for the disadvantaged. In 1978, there were more than 750,000 PSE participants (Mirengoff et al. 1980).

The Program for Better Jobs and Income

The negative income tax developments in income maintenance policy and the PSE jobs emphasis in employment and training policy were integrated in President Carter's 1977 proposal, the Program for Better Jobs and Income (PBJI) (Lynn and Whitman 1981). PBJI proposed a universal NIT with one income guarantee for those not expected to work and a lower income guarantee for those expected to work. Because those expected to work would also have been eligible for a PSE job of last resort, PBJI represents the first welfare reform proposal to guarantee jobs for recipients.

Whereas the welfare reform debates of the 1990s emphasized time-limiting welfare benefits and work requirements, PBJI would have both expanded the welfare rolls and provided work opportunities for recipients who could not find an employer who would hire them. It would have created up to 1.4 million minimum-wage public service jobs at an estimated cost of $8.8 billion in 1980 (about $17 billion in 1998 dollars). As was the case with Nixon's FAP a decade earlier, a single mother with a child of age six or younger would have been exempted from the work requirement. Those whose youngest child was between the ages of

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reached and the family no longer receives any negative income tax payments.

seven and fourteen would have been expected to work part-time; those whose youngest child was over age fourteen would have been expected to work full-time.

By providing jobs of last resort and supplementing low earnings, PBJI would have raised the family income of welfare recipients working at low wages, regardless of family composition or state of residence, and, in many cases, would have taken them out of poverty. PBJI is thus a precursor to proposals formally articulated in the late 1980s, "to make work pay." Of course, the plan would have increased total federal welfare spending substantially, which was a key reason for its failure to become law. The Congressional Budget Office estimated a cost increase for all of PBJI's provisions of $14 billion for 1982 (about $24 billion in 1998 dollars).

PBJI also provides an important benchmark against which subsequent welfare reform developments can be evaluated because it called attention to insufficient employer demand for less-skilled workers. It recognized that some welfare recipients would want to work but would not be able to find a regular job in the private or public sectors, and that a minimum wage job of last resort would be needed to address their involuntary unemployment and provide an alternative to welfare receipt. As I suggest below, the 1996 Act neglected the demand side of the labor market when it ended the entitlement to cash assistance without implementing any work opportunity, such as an entitlement to work in exchange for welfare benefits. Second, PBJI's welfare benefit would have supplemented wages for families with low earnings,

addressing the issue of falling real wages for the less-skilled, a trend which was just then emerging.[2]

PBJI also marked the first time welfare policy would have imposed a sanction on a family head who was expected to work but refused to do so. The welfare benefit for such a family would have been reduced to about one-half of that of a similar family where the head was not expected to work. For example, a single mother of three children, the youngest of whom was age six, would have received $4,200 per year in 1980. In 1981, she would have been expected to work part-time because her youngest child had turned seven. If she did not find a part-time job on her own or refused the part-time job of last resort offered by PBJI, she would have lost her share of the family's welfare benefit—the family would have received $2,300, representing benefits only for the children. As discussed below, following PRWORA, partial sanctions such as this one, and full-family sanctions, which terminate all benefits when a family head does not comply with work requirements, became federal mandates.[3]

From the War on Poverty through PBJI and into the early 1980s, many social scientists, economists in particular, favored a cash negative income tax as an antipoverty and welfare reform strategy. An NIT, such as FAP or PBJI, provides recipients greater freedom of choice than in-kind transfers, such as food stamps, does not interfere directly in labor markets, and has relatively modest administrative costs and work disincentives compared to AFDC. Congress and the public never shared economists' enthusiasm, especially in light of the research results of the negative income tax experiments (Watts and Rees 1977). Whereas many NIT proponents

[2] The earned income tax credit, enacted in 1975, now serves this earnings-supplementation function.

considered the documented negative work and family efforts of the experiments to be quite modest, critics used them to generate further dissatisfaction with such plans (e.g., Anderson 1978).

Carter's PBJI offered a combination of a cash NIT for those not expected to work with a work requirement/work opportunity for those expected to work. Like FAP, it fared better with policy analysts than with policy makers. Its failure, due in large part to its higher budgetary costs, marked the end of the era of expansive welfare reform proposals. What followed was an era of welfare retrenchment.

The Reagan Years

The Reagan Presidency marked a profound change in welfare policy because the administration was "rare if not unique in American politics—truly an ideological one" (Glazer 1984). It sought to roll back the welfare system that had expanded so much since the War on Poverty. Reducing welfare caseloads replaced poverty reduction as the primary goal of welfare reform. Reducing spending replaced controlling costs as a priority; the emphasis on work requirements intensified and replaced concern with a lack of work incentives and work opportunities.

Policies to aid the working poor were no longer seen as an integral part of welfare reform. Rather, the Reagan administration thought eligibility for welfare benefits had increased so much, that many persons who were not "truly needy" were receiving benefits. Work effort,

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[3] By 1998, 14 states had full-benefit sanctions as their initial sanction; 36 states had them as their most severe sanction (Gallagher et al., 1998).

according to this view, was best promoted by strict work requirements (proposed by the president, but not enacted by Congress), not by work incentives.[4] The Reagan Administration opposed what had been a key goal of both FAP and PBJI—simultaneous receipt of wages and welfare benefits. Rather, it proposed that welfare become a safety net, providing cash assistance only for those unable to secure jobs. Public employment was considered an unnecessary intrusion into the labor market, and CETA was abolished.

The Omnibus Budget Reconciliation Act of 1981 fostered these goals through several changes in benefit calculations and eligibility criteria. The "30 and a third rule," originally introduced as a work incentive in 1967, was eliminated. This rule allowed recipients to earn $30 per month before losing any benefits and then reduced benefits by $2 for every $3 earned beyond the first $30. After 1981, once a recipient had received welfare for four months, benefits were reduced by one dollar for every dollar earned. As a result, by early 1983 nearly 14 percent of all beneficiaries had been removed from the AFDC rolls.[5] OBRA's reforms actually contributed to increased public dissatisfaction with welfare because it removed most working recipients from the caseload. As a result, the percentage of welfare recipients who did not work increased. Nonwork would become the key focus of welfare reform in the ensuing decade (Mead 1992).

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[4] Congress did give states the option to require some recipients to participate in Community Work Experience Programs (CWEP) in exchange for benefit receipt. Many states implemented such programs in the 1980s (Gueron and Pauly, 1991) and state experimentation with these programs paved the way for both the Family Support Act of 1988 and PRWORA.

[5] In 1980 forty-two states, but by 1984 only seven states, provided some AFDC benefits to a woman with two children who had earnings at 75 percent of her poverty line (U.S. House of Representatives, 1993, p. 1242).

Although real spending on and eligibility for cash welfare were cut back in the 1980s, spending on the working poor increased. The Earned Income Tax Credit (EITC), enacted in 1975, provides families of the working poor with a refundable income tax credit (i.e., the family receives a payment from the Internal Revenue Service if the credit due exceeds the income tax owed). The EITC raises the effective wage of low-income families, is available to both one- and two-parent families, and does not require them to apply for welfare. The maximum EITC for a poor family was $400 in 1975 and rose to $550 by 1986.

The 1986 Tax Reform Act increased the EITC so that by 1990 a low-income working parent received a maximum credit of $953. The number of families receiving credits increased from between 5 and 7.5 million families a year between 1975 and 1986 to more than 11 million by 1988.[6] Because the expanded EITC supplements low earnings, it became easier for policy makers to emphasize welfare reform policies that could place recipients into any job, rather than training them for "good jobs." If a nonworking recipient took a low-wage job, a substantial EITC could make work pay as much as a higher-wage job would have paid in the absence of an EITC. For example, by the mid 1990s, the income of a single mother with two children working half-time at the minimum wage plus her EITC exceeded welfare benefit levels in most states (Ellwood 1999).

The Family Support Act

[6] The EITC was substantially expanded again in 1990 and 1993. By 1997, total spending on the EITC, about $27 billion, exceeded federal cash welfare payments, about $17 billion. And the number of families benefiting from the EITC increased to more than 18 million in the late 1990s (U.S. House of Representatives, 1998).

The Family Support Act (FSA) of 1988 reflected a bipartisan consensus in which liberals achieved a broader safety net and conservatives achieved stronger work requirements (Baum 1991; Haskins 1991; Mead 1992). The Act expanded the scope of the AFDC program for two-parent families, instituted transitional child care and Medicaid for recipients leaving welfare for work, and added funds and required states to establish programs to move greater numbers of welfare recipients into employment. Custodial and absent parents were required to take more responsibility for supporting their children. Custodial parents were required to participate in programs designed to increase their attachment to the labor force. A greater percentage of absent parents were required to pay more child support. The state was required to provide additional training and support services through a new training and education program for AFDC recipients—the Job Opportunities and Basic Skills Training Program (JOBS). The federal government was to provide modest additional matching funds (about $1 billion) to cover most of the additional costs of JOBS incurred by the states.

JOBS was based on the experiences of many states with the welfare-to-work demonstration programs that were undertaken in response to the Community Work Experience Program that was enacted as part of OBRA 1981. The Manpower Demonstration Research Corporation (MDRC) evaluated many of these programs and found them modestly successful in reducing dependence on welfare and increasing earnings (Gueron in this volume; Friedlander and Burtless 1995). For many liberals, who had opposed workfare prior to these evaluations, an important finding was the fact that many participants judged the programs fair and helpful in connecting them to the work force. The evaluations were promising enough that, by the late 1980s, support for moving welfare recipients into employment had become bipartisan and

widespread among both policy makers and social scientists (Novak et al. 1987; Ellwood 1988).

Liberals and conservatives still disagreed on other goals of welfare-to-work programs. Liberals thought welfare reform should expand opportunities for welfare mothers to receive training and work experiences that would help them raise their families' living standards by working more and at higher wages. Conservatives emphasized work requirements, obligations welfare mothers owed in return for government support whether or not their families' incomes increased (Mead 1986, 1992).

Results from the MDRC evaluations satisfied each group. Gueron and Pauley (1991) showed that successful programs modestly reduced welfare dependence and encouraged some recipients to leave the welfare rolls.[7] The typical welfare-to-work program participant earned about 15–30 percent more during the first two years than the typical control group member. While these were substantial percentage gains, monthly earnings remained low on average and most participants remained poor. Employment rates for participants and controls were about 34 and 30 percent, respectively, after two years. AFDC participation and state welfare spending also declined modestly. After three years, 39.2 percent of the participants and 42.6 percent of controls remained on welfare.

[7] The early state programs consisted primarily of employment counseling and assistance in searching for jobs. By the end of the 1980s, some programs also provided such services as subsidized child care and transportation, follow-up counseling after employment began, and education and training services.

The Family Support Act incorporated many lessons from the MDRC demonstrations and sought to improve on the previous program results.[8] States were required to implement welfare-to-work programs, extend them to a greater proportion of the caseload and offer a range of education, skills training, job placement, and support services for such items as child care and transportation. By the time of the 1996 welfare debate, however, support for state requirements to provide many services had diminished, as had support for the view that a mother should move from welfare to paid employment only if she could achieve a net improvement in her economic situation. This shift in attitudes was due, in part, to the fact that one of the most successful JOBS programs, in terms of getting recipients into employment (Riverside, California), implemented a "work first" program. Work First programs adopt the philosophy "that any job is a good job and that the best way to succeed in the labor market is to join it, developing work habits and skills on the job rather than in a classroom (Brown 1997, p.2)." This reduces the need for states to provide funds for education, training or expanded support services, and allows them to serve a greater percentage of recipients with a fixed budget.

The FSA took effect just as the economic expansion of the 1980s ended. State governments faced falling tax revenues and increasing costs in many social programs, especially Medicaid, and few were inclined to begin or expand major social initiatives. In addition, FSA had a long startup period as states initially required few recipients to participate. This fiscal situation encouraged states to avoid experimenting with programs that involved increased

[8] Senator Moynihan provided this jacket quote for the Gueron and Pauly book: "Above all others, Judy Gueron and her colleagues at MDRC did the research that led Congress to pass the Family Support Act. . . .

expenditures in the initial years, even innovative ones that promised to save more money in future years.[9] When the welfare rolls jumped in the late-1980s and early-1990s, from about 11 to about 14 million recipients, dissatisfaction with welfare again increased. Even though JOBS had not yet been fully implemented, it had come under enough criticism that Candidate Clinton saw political gain in placing welfare reform at the top of his policy agenda.

JOBS also raised work expectations and provided sanctions for recipients who did not co-operate. It lowered the age of the child at which a welfare recipient was expected to participate. Once her youngest child reached age three, she was required to participate for up to 20 hours per week; once that child reached age six, she could be required to participate for up to 40 hours per week. Participating meant agreeing to a reasonable "employability plan" the state devised, as long as the state provided child care, transportation, and other work-related expenses. Any recipient who complied with JOBS requirements continued to receive welfare; any failing to comply without good cause could reduce the recipient's monthly grant to reflect a family with one fewer person (i.e., the type of partial sanction proposed by PBJI).

Time limits, which came to dominate the welfare reform debates of the 1990s, were not part of the Family Support Act. Recipients could enter AFDC, enroll in JOBS, find a job, lose that job, return to the rolls, and re-enroll in JOBS. JOBS reflected a commitment to mutual responsibility: recipients were required to exercise personal responsibility and take advantage of education, training, and work opportunities which the government had the responsibility to provide. If the state did not appropriate sufficient funds to provide a JOBS slot (and many

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As a result, we now have a historic opportunity to help welfare recipients become self-sufficient."

states did not), the recipient was not sanctioned for the state's failure. Within a few years, however, personal responsibility would take center stage and such requirements on the states would be greatly reduced.

Welfare as We Have Come to Know It

PRWORA replaced AFDC with Temporary Assistance for Needy Families (TANF) and ended the entitlement to cash assistance. Each state can now decide which families to assist, subject only to a requirement that they receive "fair and equitable treatment." PRWORA also reduced the total amount of spending required from the federal and state governments. The federal contribution changed from a matching grant to a block grant that is essentially capped for each state at its fiscal year 1994 spending level. Increased welfare costs associated with population growth or economic downturns or inflation will be borne by the states or else by the poor. Moreover, states now are only required to expend 75 percent of their 1994 level of expenditures on AFDC, JOBS, child care, and Emergency Assistance. Any state could, for example, impose a 25 percent cut in welfare benefits without any loss of federal funds, and it could freeze expenditures at 75 percent of the 1994 level for the foreseeable future.[10]

States that have both the funds and the inclination can choose to provide an even more supportive safety net than existed before. Each state can pursue whatever kind of reform it chooses, including mutual responsibility reforms that would increase the state's commitment to

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[9] Lurie (1996) reports that, in 1994, most states did not spend enough to get their full federal matching funds from JOBS, and all states together spent enough to use only about 75 percent of available funds.

[10] Because caseloads fell so rapidly between 1996 and 1999, states have found themselves with more funds than they have chosen to spend. A few states have even raised benefit levels. It remains to be seen how states would respond in a recession when caseloads increase.

help recipients find jobs. In practice, however, most states have worked harder to cut welfare caseloads than they have to provide work opportunities and services to current recipients or those who have left the rolls, including those who have been unable to find work.

The centerpiece of the new reform is its time limit—states may not use federal block grant funds to provide more than a cumulative lifetime total of 60 months of cash assistance to any welfare recipient, no matter how willing she might be to work for her benefits, and they have the option to set shorter time limits. States can grant exceptions to the lifetime limit and continue to use federal funds for up to 20 percent of the caseload. As discussed below, however, given declining employer demand for less-skilled workers, and given the labor market capabilities of recipients, more than 20 percent of the current caseload is likely to have great difficulty leaving welfare for work before reaching the time limit.

The extent of work expectations has also been increased. Single-parent recipients with no children under age one will be expected to work at least 30 hours per week by FY 2002 in order to maintain eligibility for cash assistance. States can require participation in work or work-related activities regardless of the age of the youngest child. Whereas President Nixon called for work exemptions for mothers of children under age six, some states now exempt a mother for only 13 weeks following childbirth.

It is ironic that the intellectual foundations of PRWORA emerged from research that sought both to reduce poverty and welfare dependency. Bane and Ellwood's (1986) analyses of data from the Michigan Panel Study of Income Dynamics (PSID) challenged earlier PSID studies. For example, Duncan et al. (1984) emphasized that during a ten-year time span as much as a quarter of the total population used welfare at least once. They concluded that

"dependency is the exception rather than the rule" because only about 2 percent of persons were persistently dependent on welfare during the late 1960 and 1970s (p. 91). Ellwood and Bane, using a more sophisticated methodology, showed that even though many people used AFDC at some point in their lives, a small percentage of new entrants, comprising almost half of the caseload at any point in time, was in the midst of a welfare spell lasting ten or more years.

These findings led Ellwood to propose a "divide and conquer" strategy for welfare recipients (Ellwood 1987). Time-limiting AFDC benefits could provide a way to distinguish between the needs of short-term and long-term recipients. A two-year or three-year time limit would have little effect on the larger number of short-term recipients who used welfare at some point in their lives—their welfare spells were already shorter than the time limit and they did not need extensive services to get them into jobs. Time limits were intended to target long-term welfare recipients and provide more extensive services to reduce the length of their welfare spells.

Garfinkel and McLanahan's (1986) discussion of how AFDC might be changed from a cash-relief to a work-relief program is the first reference (of which I am aware) to a time limit for cash assistance. "The first step would be to limit the amount of time that the heads of AFDC families could receive cash benefits without either working or progressing satisfactorily in an education or training program" (185).

Their thought experiment became a central proposal in Ellwood's widely-cited *Poor Support: Poverty and the American Family* (1988) which proposed converting welfare into a transitional system. Cash support would be provided for a limited period of time; when this limit was reached, a recipient would be expected to earn wages in a regular job or in a work

opportunity program. Low wages would be supplemented by expanded tax credits, access to subsidized child care and health insurance, and guaranteed child support. Ellwood's proposal captured the attention of Candidate Clinton and provided the basis for the campaign promise to "end welfare as we know it." Once elected, Clinton appointed Ellwood and Bane as two of the three co-chairs of his Welfare Reform Task Force.[11]

Ellwood elaborated his proposal in "Reducing Poverty by Replacing Welfare" (Bane and Ellwood 1994, chap. 5), written just before he joined the Clinton Administration.

> But if we had an effective child support enforcement and insurance system, if we ensured that people got medical protection, if we made work pay, there would be far less need for welfare. Single parents could realistically support themselves at the poverty line if they were willing to work half time, even at a job paying little more than the minimum wage. If they were willing to work full-time, they could move well above the poverty line . . .
>
> If people can realistically support themselves, then the notion of a time-limited, transitional assistance program for both single-parent and two-parent families makes sense. A rich set of training and support services ought to be included as part of the benefits. But the cash program would be of limited duration . . .
>
> The duration of assistance might be allowed to vary with the age of the youngest child. Generally it might last eighteen months to three years, depending on how old the youngest child is. But the key is that this assistance would be <u>transitional</u>. One could not

[11] The third task force co-chair, Bruce Reed, a White House political operative, had no research background and was opposed to many aspects of Ellwood's proposal that would have required additional funds.

> requalify for much more transitional assistance by having another baby or by claiming that no jobs were available . . .
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> When benefits were used up, one would have to work for some period to requalify for more. Many support services—certainly child care and some training—might continue past the transitional period, but cash benefits would end. After benefits ran out, the only alternative for support would be to supplement child support with work.
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> . . . If government is not willing to provide cash support forever, it must provide full- or part-time jobs for those who exhaust transitional support . . . (157–158).

In hindsight, Ellwood and most social scientists (including me) who supported this plan to "make work pay, and end welfare as we know it" should have been more concerned about how it was likely to be scaled back by the political process. It was obvious to analysts that the plan, which was based on social science research including the MDRC evaluations, would have cost a substantial amount more than the programs it would have replaced or modified, probably an additional $25 billion per year. Analysts should have recalled that previous ambitious welfare reform plans, like FAP and PBJI, had not fared well in Congress. Carter's PBJI, which, like Ellwood's Plan, emphasized both poverty reductions and work opportunities of last resort, was defeated without leaving any public policy legacy, in part because of its added costs and in part because it also would have greatly expanded the scope of the welfare system.

Nixon's Family Assistance Plan for the able-bodied, labeled Nixon's Good Deed by Burke and Burke (1974), was also rejected by Congress in two legislative sessions. But, Congress subsequently established the Supplemental Security Income Program (SSI) for the

elderly, blind, and disabled which incorporated a number of FAP's features, including a national minimum welfare benefit. SSI is a cash negative income tax that is less expensive than FAP would have been because it targets a narrower group of recipients. SSI also proved more politically popular than AFDC because it focused on the "deserving" poor for whom work and family disincentives were of less concern.[12]

When Candidate Clinton first announced his welfare reform goal, he reflected the broad nature of Ellwood's plan:

> It's time to honor and reward people who work hard and play by the rules. That means ending welfare as we know it—not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives. No one who works full-time and has children at home should be poor anymore. No one who can work should be able to stay on welfare forever. (Clinton 1992).

However, the notion of time-limiting welfare was so popular that the early sound bite from this quote, "make work pay and end welfare as we know it" quickly became "end welfare as we know it." And, within a short period of time, there was little discussion of providing jobs for those reaching the time limit or of reducing poverty for workers. Intense discussion of the goal of caseload reduction took center stage.

In the aftermath of the 1994 Congressional elections, it became clear that government would prove both unwilling to provide cash support forever and unwilling to take any responsibility for providing jobs for those who exhaust transitional support. The Republican majority embraced the time limit but rejected most other aspects of the welfare reform plan that

[12] Complaints against SSI increased in the 1990s because of controversies regarding an increased number of child disability cases and the use of SSI by elderly immigrants and substance abusers. PRWORA restricted SSI eligibility for these groups.

had been presented by the Clinton Administration in June 1994. Thus, PRWORA might be labeled "Clinton's Bad Deed" or, according to Peter Edelman (1997), "The Worst Thing Bill Clinton Has Done."

The PRWORA offers no opportunity to work in exchange for welfare benefits when a recipient reaches her lifetime limit of 60 months of federally-supported cash assistance.[13] Although there is substantial evidence, reviewed below, that the labor market prospects for less-skilled workers have greatly eroded since early 1970s, the government is no longer responsible for providing a cash safety net. Although states can exempt up to 20 percent of the caseload from the time limit, as discussed below, more than 20 percent of recipients who remain on the post-reform caseloads are likely to need extended cash assistance or a last resort work-for-welfare opportunity. This follows because the personal attributes of many long-term recipients make their employment prospects even more precarious than those of the typical less-skilled worker.

The Relationship Between Welfare Reform Policy and Welfare Reform Research

This review of federal welfare reform proposals from 1969 to 1996 reveals a pattern by which government increased demands on recipients to work and decreased resources for training and public employment programs. Over this period, with the exception of the Family Support Act, social science research on welfare tended to be one cycle behind the welfare reform policy debate and to have had little impact on policy outcomes. Instead, policies, once

[13] The limit has been set at as little as 18 months in some states, as the Act provides this state option; 22 states have set limits of less than 60 months (Gallagher et al., 1998).

they have been implemented, have influenced the nature of subsequent welfare reform research.[14]

In the decade following declaration of War on Poverty, spending on cash assistance increased rapidly, reform proposals emphasized the reduction of income poverty, and few demands and expectations were placed on welfare recipients. Negative income tax proposals were put forward, and while they did not become law, they led to a series of negative income tax experiments that furthered social science research techniques (Haveman 1987). By the time researchers had fully digested the results of the NIT experiment, however, welfare reform policy had moved away from income guarantees towards work requirements.

In hindsight, the increase in the extent of work expected from recipients, which began with PBJI and accelerated in the 1980s, together with the accumulating research on the difficulties of low-skilled workers in the changing labor market (reviewed in the next section), should have focused the attention of policy makers on the need for labor demand policies, such as employer subsidies or minimum wage public jobs of last resort. However, after the Reagan administration eliminated the CETA program, researchers turned away from studying public employment programs. While they may have been able to further their understanding by studying such programs and labor demand policies in other countries or by analyzing them at a conceptual level, it is easy to see how attractive it became to evaluate the welfare-to-work demonstration projects that the states had begun to implement. These demonstrations provided an opportunity for social scientists to study the substance and methodology of randomized experiments. Thus, the research agenda shifted to the evaluation of policies that were being implemented rather than on alternative policies that might be implemented.[15]

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[14] For example, PRWORA was crafted in Congress with little reliance on social science research. Now, however, there are dozens of large social science research teams conducting research on the Act's effects on caseloads, recipient well-being, and other topics.

[15] One exception to the pattern of research following policy involves child support. Irwin Garfinkel (Garfinkel and McLanahan, 1992, 1986), his colleagues, and others began analyzing issues related to child support in the late 1970s. This research has strongly influenced the evolution of child support policy. However, it is also the case here, as with welfare reform, that the reforms that have been implemented have been those that sought to reduce government spending by increasing child support collections from absent fathers.

In the mid-1980s, researchers sought to distinguishing between short-term and long-term welfare recipients and to identify which services might help reduce the length of welfare spells. The Family Support Act marked the high point of the influence of social science research on welfare reform policies, as its provisions reflected the recently-evaluated experiences of the states with welfare-to-work programs. The FSA guidelines, which mandated services states had to offer, reflected these contemporary studies—more work was to be expected from welfare recipients, but more government resources were to be devoted to helping them. This was the only time in the last three decades when welfare policies and welfare reform research were "in sync."

In the 1990s, following Clinton's call to "end welfare as we know it," policy makers escalated their demands for recipients to work and reduced government obligations toward and funds to serve them. In the aftermath of PRWORA policy makers have acted as if there is no need for researchers to study long-term welfare recipients—time limits mean that new welfare entrants no longer have the option to become long-term recipients. Policy makers are implicitly assuming that there is no longer a need to study which services ought to be provided before a single mother is expected to work—single mothers are expected to work, regardless of which services, if any, the state chooses to provide.

Now, welfare reform research is once again following policy as numerous studies are analyzing the effects of PRWORA. For example, welfare reform is proceeding on the assumption that welfare recipients (with few exceptions), like the population at large, can work and earn enough to support their families. In response to this policy, researchers have begun to study the health, mental health, and other capacities of recipients which suggest that they are more disadvantaged than their non-welfare peers, and hence, less able to work (e.g., S. K. Danziger et al. 2000; Zedlewski 1999).

Garfinkel's proposal to require the government to fund a national minimum child support benefit for all children living in single parent families has not been adopted and was rarely discussed by policy makers.

II. Reductions in Employer Demands for Less-Skilled Workers

Ample research evidence was available to policy makers documenting how adverse changes in employer demands for less-skilled workers make it difficult for many welfare recipients to get jobs and keep them. In *America Unequal*, Peter Gottschalk and I (Danziger and Gottschalk 1995) show that the period from the early 1970s to the mid-1990s was an era of "uneven tides," characterized by slow economic growth and increasing inequality in earnings and family incomes. The economic experience of the period differs dramatically from that of the quarter century following World War II, when a "rising tide lifted all boats" and earnings gains and income gains were rapid and widely shared by the poor, the middle class, and the rich, and by less-skilled as well as by skilled workers. It was this economic experience of rising living standards and falling poverty that shaped the optimism of the planners on the War on Poverty. But antipoverty efforts and welfare reform policies today must operate in a very different context.

Structural changes in the labor market since the early 1970s have made it harder for less-educated workers to secure employment that can lead to economic independence. Many factors moved the labor market in the same direction (Danziger and Gottschalk 1995). The decline in union membership, reductions in manufacturing employment, increased global competition, and the consequent expansion of the import and export sectors all lowered the wages of less-skilled workers. The automation which accompanied the introduction and widespread use of computers and other technological innovations also increased demand for skilled personnel who could run more sophisticated equipment. Simultaneously, demand declined for less-skilled workers, who were either displaced by the automated systems or had

to compete with overseas workers producing the rising volume of imports. Despite the long economic recovery and falling unemployment rate of the 1990s, many less-skilled workers, especially welfare recipients, continue to face economic difficulty.

These changes in the nature of the labor market have important implications for less-skilled workers. For example, consider the labor market prospects of a group of workers who are more advantaged in the labor market than the typical welfare recipient—male high school graduates with some earnings, between the ages of 25 and 34. Whereas these young men are similar in age to the typical welfare recipient, they have more education (about half of current recipients lack a high school degree), more labor force experience, less child care responsibilities and fewer other family demands on their time. Because of differences in their human capital characteristics and because they may also experience gender discrimination, labor market outcomes for welfare recipients are likely to be lower than those of these young men.

Median earnings (in constant dollars) for young male high school graduates increased rapidly during the post-World War II boom, rising by more than 70 percent in real terms between 1949 and 1969. Since the early 1970s, however, their real median earnings have declined and in 1997 were still below the 1969 levels. Consider the percentage of these young men whose annual earnings fall below the poverty line for a family of four ($16,400 in 1997 dollars). In 1997, about one-quarter of young, white, non-Hispanic high school graduates who were in the labor force and about two-fifths of comparable black, non-Hispanic men earned less than $16,400. The percentage of low-earnings males was, in 1997, about 2.5 and 3.5 times higher than in 1969, when almost all young male high school graduates could support a family on

their own earnings. And the 1997 percentages were almost as high as they had been in 1949 (Danziger 1999).[16]

Thus, as public demands for welfare recipients to work and become self-sufficient increased over the past quarter-century, culminating in the time-limiting of welfare benefits by PRWORA, the ability of male high school graduates to do so was declining. Although policy makers have neglected these trends in reforming welfare, they did respond to the deterioration in earnings by expanding the earned income tax credit several times, most recently in 1993.[17] As a result, the maximum EITC benefit level had increased by 1997 to $3,556 for a low earner with two children and to $2,152 for a low earner with one child.

If men have fared so badly in the labor market, what can we expect single mothers to earn? The typical welfare recipient is likely to fare worse than even the typical single mother who does not receive welfare, because she has less education, is younger, has more children, and is more likely to have never married. For example, 1990 Census data (Danziger and Lehman 1996) show that about one-quarter of nonrecipients, but half of recipients, were never married; about one-fifth of nonrecipients, but more than two-fifths of recipients, lacked a high school degree; about one-sixth of nonrecipients, but one-quarter of recipients were below 25 years of age; about one-sixth of all nonrecipients, but one-third of recipients, had three or more children. These differences in observed characteristics suggest that welfare recipients, *ceteris paribus*, are likely to have lower earnings capacities than nonrecipient single mothers.

[16] Official poverty rates for men are lower than these for several reasons. First, many of these men have working wives; second, many live in families with fewer than four persons.
[17] The 1993 Act both raised the maximum EITC benefit levels and indexed them to rise at the rate of inflation.

Danziger and Lehman (1996), estimated that in 1989 only 41.5 percent of welfare mothers could have earned more than the poverty line for a family of three if they had not received welfare and had worked as much as working single mothers. In contrast, 64.3 percent of the nonrecipient single mothers earned this much. These estimates, while showing that welfare recipients have a high probability of being poor based on their own earnings, overstate their labor market prospects because they assume that welfare recipients differ from nonrecipients only in terms of observed demographic characteristics. But, as I discuss in the next section, many welfare recipients have a much greater prevalence of health, mental health, and other unmeasured personal problems that pose barriers to their employment (S. K. Danziger et al. 2000).

It is simply not the case that most welfare recipients can obtain stable employment that would allow them to escape poverty, if only they would try harder. Fear of destitution is a powerful incentive to survive, but it will not guarantee that an unskilled worker who actively seeks work will be able to support her family. PRWORA's increased pressures on welfare mothers to search for work are likely to make only modest differences in their family incomes unless they are accompanied by policies to expand their labor market opportunities, especially if the national unemployment rate moves above 6 percent.

If declining employer demand for less-skilled workers means that many welfare mothers will have difficulty maintaining employment in the regular labor market, by how much would their prospects improve if they were guaranteed access to a job? Danziger and Jakubson's (1982) analysis of the Supported Work Demonstration provides suggestive evidence, although it is based on a randomized experiment from the mid-1970s. Supported Work, a public

employment demonstration program for persons with labor market disadvantages, sought to improve work skills and attitudes to increase

employment and earnings. Participants worked in small groups under close and supportive supervision; demands for punctuality, attendance, and productivity were initially low and slowly increased until normal labor market standards were reached. Participants were required to leave Supported Work after a specified period (usually 12 months) whether or not they had found another job. Job placement efforts were provided, and in some instances a worker moved from a Supported Work job to a regular job in the same firm or agency. Participants had characteristics similar to those of today's long-term welfare recipients.

Data gathered during the ninth month of the demonstration exemplify a situation in which any recipient can work at a public job of last resort; data gathered during the 27th month exemplify the situation of a woman who was, but is no longer, eligible for a transitional job. These later estimates suggest what we might expect from the kind of transitional access offered by some current welfare-to-work programs.

At 9 months, only 3 percent of women participating in supported work, but 64 percent of those in the control group, reported no earnings or hours of work. Thus, the provision of public jobs greatly increased work. At 27 months, 52 percent of women who had participated and 60 percent of the control group reported no earnings or hours work. Supported Work was beneficial—at 27 months the former participants worked and earned more than the control group. Nonetheless, the dramatic reduction in the post-program work effort of the participants when they had to compete for regular jobs suggests that disadvantaged welfare recipients have great difficulty maintaining employment when they do not have access to a job of last resort.

III. How Different Are Welfare Recipients From Other Less-Skilled Workers?

The estimates in the previous section concerning the labor market prospects of welfare recipients are likely to be biased upwards because recent research suggests that they have unobserved characteristics that negatively affect employment and earnings. While we know much about how the labor market has changed for less-skilled workers, we know relatively little about how the skills and abilities of recipients differ from those of other less-skilled workers. Social scientists have avoided studying the personal attributes of recipients out of a concern that to do so is to "blame the victim." They have tended to assume that recipients are similar to other poor persons, and either faced different constraints or made different choices. Liberals tended to argue that long welfare spells were due primarily to structural labor market constraints (skills mismatch, spatial mismatch, discrimination) and recipients' need for further education and training. Conservatives tended to argue that dependency was due to recipients' unwillingness to take available jobs, not to personal barriers to work or structural constraints.

Numerous studies, for example, examine how demographic characteristics, schooling, training, and work experiences affect a welfare recipient's employment and wages. They have largely ignored factors, such as physical and mental health, alcohol and drug problems, experiences of domestic violence, and other personal problems, which are likely to be more common among welfare mothers than among other women. Some recent evidence indicates, however, both that employers are demanding specific labor market skills that many recipients do not have and and that some recipients have multiple personal problems that pose barriers to their employment.

Harry Holzer (1996) provides evidence on specific skill deficiencies of welfare recipients that have not been measured in most studies. He surveyed 3,200 employers in four metropolitan areas about entry-level jobs available to workers without a college degree. He asked what skills were required, how employers screened workers, and what were the demographic characteristics of recent hires. He measured skill requirements by the frequency with which a set of tasks was performed—dealing with customers either in person or on the phone, reading and writing paragraphs, doing arithmetic and using computers.

Most entry-level jobs required several skills, educational credentials, and work experience. Each task about which Holzer asked (with the exception of writing paragraphs) was performed daily in half or more of the entry-level jobs. Employers used several credentials to screen applicants—about three-fourths required a high school diploma, general experience, and references; two-thirds required specific experience; two-fifths, training; over half required applicants to pass a test. Employers who required vocational experience or reading and writing skills were significantly less likely to hire women, particularly black women.

Holzer and I (1998) conducted simulations that attempt to bring employer demands and worker skills together by "matching" workers to jobs on the basis of skill, spatial and racial characteristics of each. We found that only 10 percent of welfare recipients without a high school degree or G.E.D. (about one-half of all recipients) had worked in jobs where they had to read and write paragraphs and do arithmetic on a regular basis. In contrast, employers required these skills for about one-third of all newly-filled jobs. Even in the simulations, which assumed no shortage of jobs relative to the number of applicants, from 20 to 30 percent of all welfare recipients are not matched with a job.

The skill deficiencies and other barriers to employment for welfare recipients have been documented in several recent studies. Barton and Jenkins (1995), using data from the 1992 National Adult Literacy Survey, find that 70 percent of AFDC recipients, compared to 48 percent of the total population, scored in the two lowest prose literacy levels. They also show that average weeks worked during the year and average weekly wages increase as the prose literacy level increases for all persons and for recipients. For example, for AFDC recipients, average weeks worked were 11, 16, 20 and 24 for recipients at literacy levels 1, 2, 3 and 4 respectively. Welfare recipients between the ages of 17 and 21 read, on average, at the sixth grade level (National Institute for Literacy 1996), and 70 percent of recipients scored in the bottom quartile of the Armed Forces Qualification Test (AFQT) (Burtless 1995).

Health problems are also quite common. Among participants in California's Greater Avenues to Independence (GAIN) program who had received welfare for more than two years, almost 30 percent had been deferred at some point for a medically-verified illness and 27 percent had been deferred for a severe family crisis (Riccio and Freedman 1995). Health problems accounted for 9 to 13 percent of all job losses in several welfare-to-work programs (Hershey and Pavetti 1997).

Substance abuse and mental health problems also can restrict a woman's ability to participate effectively in training programs, to leave welfare for work, or to perform adequately on the job. For example, major depression, which is quite high among welfare recipients, interferes with daily functioning and productive activity. Substance abuse and mental health problems, by adversely affecting social functioning, may partially explain why some welfare

spells are so long and why many women leaving welfare for work have difficulty maintaining employment..

Jayakody, Danziger, and Pollack (2000) use the 1994 and 1995 National Household Survey of Drug Abuse (NHSDA), and analyze a sample of about 2700 single mothers 18 years of age and older. The NHSDA collected information on four psychiatric disorders—major depression, generalized anxiety disorder, panic attack, and agoraphobia, as well as information on the use of illegal substances. Welfare recipients are significantly more likely than nonrecipients to have major depression (12 versus 8 percent), and to have at least one of the four psychiatric disorders (19 versus 13 percent). Welfare recipients have a significantly higher prevalence of cocaine and crack use (5 percent of recipients had used cocaine or crack in the past year compared to 3 percent of non-recipients) and of alcohol dependence (9 versus 5 percent).

Jayakody et al. estimated logistic regression models to examine how psychiatric disorders and substance use affect welfare receipt. Socio-demographic control variables included marital status, education, race, health status, number of children, urbanicity, and region. Controlling for these variables, single mothers with a psychiatric disorder have an odds of receiving welfare that is 39 percent higher than women without a disorder; having used cocaine or crack in the past year doubles the likelihood of receiving welfare.

S. K. Danziger et al. (2000), in a study of women who had been welfare recipients in February 1997, document both a high prevalence of personal problems and a strong association between these problems and employment in fall 1998. These characteristics include human capital and skills (education, number and type of prior job skills, work experience), physical and

mental health (mother's self-rated health status, health-related limitations in physical activities, and meeting the diagnostic criteria for major depression), transportation problems, and self-reported discrimination in the workplace. One woman in four, for example, had experienced a major depression within the past year, and 15 percent met the criteria for post-traumatic stress disorder, much higher than the national rates. Respondents were twice as likely as the general population of adult women to report physical limitations, and three to five times as likely to describe their general health as "poor" or "fair."

They estimated a regression model which expresses employment of more than 20 hours a week as a function of 14 potential barriers to employment and a series of demographic control variables. The number of barriers that a woman faces was significantly associated with the likelihood of work. The 21 percent of women with only one work barrier had a 71 percent probability of work. Thereafter, the likelihood that a woman works decreases steadily as her number of potential barriers increases. The 24 percent of respondents with four to six potential barriers to work had about a 40 percent chance of working, whereas for the 3 percent of respondents with seven or more barriers, the likelihood of employment was below 6 percent.

States may exempt 20 percent of the Temporary Assistance to Needy Families (TANF) caseload from the 5-year limit on federally-funded cash aid. This exemption is intended to protect the most disadvantaged recipients from severe hardship. However, given the rapid reduction in caseloads, to about 7.5 million in late 1999, it is quite likely that more than 20 percent of current recipients experience health, mental health, or substance use problems. If these problems limit women's ability to maintain stable employment as recent research suggests, and if efforts to detect and treat problems are not greatly expanded, then benefits for many

recipients who are not very employable are likely to be terminated, even if they are quite willing to work.

IV. Conclusion

Any welfare system will produce errors of commission and omission. The pre- 1996 welfare system was biased toward "false positives" by providing cash assistance to some recipients who could have made it on their own in the labor market. Some of these "false positives" might have been unwilling to look for a job; others might have been offered jobs and turned them down because the wages were low or because they did not provide health insurance. It is not unreasonable for taxpayers to expect that welfare recipients who are offered jobs accept them, especially if mothers leaving welfare for a low-wage job have access to subsidized child care and health care.

The PRWORA has virtually eliminated "false positives" by cutting off people who will not search for work or co-operate with the welfare agency. But the labor market experiences in recent years for millions of low-skilled workers who do not receive welfare suggest that PRWORA will generate many "false negatives." Many recipients who reach the time limits or who are sanctioned for not finding a job will be denied cash assistance even though they are willing to work, simply because they cannot find any employer to hire them. This labor demand problem will increase during recessions when states are strapped for funds and will remain even in good economic times if employer demands for a skilled work force continue to escalate. If many recipients have the kinds of personal problems discussed above, and if these problems continue to go undetected and untreated, the number of "false negatives" will rise even further.

Because I support a work-oriented safety net, I am not suggesting we return to the welfare system that operated prior to 1996. That system did need to be reformed. But PRWORA's "time limit and out" differs markedly from the "time limit followed by a work-for-welfare opportunity of last resort" originally proposed by Ellwood and endorsed by Candidate Clinton. Welfare recipients who have no serious impairments should have the personal responsibility to look for work, but if they diligently search for work without finding a job, their cash assistance should not be terminated. At a minimum, they should be offered an opportunity to perform community service in return for continued cash assistance. A more costly option, but one that would have a greater antipoverty impact, would be to provide them with low-wage public service jobs of last resort. Welfare recipients who were willing to work could then combine wages with the Earned Income Tax Credit and support their families even when there was little employer demand for their skills.

The best way to reduce welfare dependency without harming recipients who are willing to "work hard and play by the rules" is to reform PRWORA to incorporate on the lessons of the research reviewed here. Now that PRWORA has increased work expectations and demands for personal responsibility on the part of welfare recipients, it is time to increase demands on government for mutual responsibility. If we are to reduce poverty as well as the welfare caseload, we must demonstrate greater willingness to spend public funds to complete the task of turning a cash-based safety net into a work-oriented safety net. For recipients with the most extensive personal problems, this requires an expansion of social service and treatment programs, experimentation with sheltered workshops and increased exemptions or extensions of

time limits. For employable recipients, government must insure that labor demand expands to keep pace with the labor supply increases brought about by welfare reform.

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