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Welfare Reform Update

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*Douglas J. Besharov and Peter Germanis**

Five years ago this August, a Republican Congress pushed a reluctant President Bill Clinton to sign a bill that ended welfare as we had known it. But since the welfare reform act of 1996 expires on September 30, 2002, its eventual fate is not yet clear. Much will depend on how the law's impact is viewed. So far, welfare reform certainly seems to be a success. By June 2001, welfare rolls had fallen an amazing 59 percent from their historic high of 5.1 million families in March 1994.[1] That translates into about 9 million parents and children who are no longer forced to rely on welfare.[2]

It suited the purposes of both the Clinton administration and the Republican Congress to claim that "welfare reform" caused this dramatic decline in the welfare rolls—and that over two million former recipients are now working because of the new law. That claim is not quite true. The strong economy and massively increased aid to the working poor almost certainly have had more impact on the plight of the poor than welfare reform *per se.* Moreover, as many as 40 percent of the mothers who left welfare are not working

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[1]U.S. Department of Health and Human Services, Administration for Children and Families, unpublished data (March 1994) and "Temporary Assistance for Needy Families, Total Number of Families," available from: http://www.acf.dhhs.gov/news/stats/families.htm, accessed January 7, 2002.

[2]U.S. Department of Health and Human Services, Administration for Children and Families, unpublished data (March 1994) and "Temporary Assistance for Needy Families, Total Number of Recipients," available from: http://www.acf.dhhs.gov/news/stats/recipients.htm, accessed January 7, 2002.

regularly but are instead relying on support from boyfriends, family members, friends, or other governmental and private programs.[3]

Both liberals and conservatives have found it convenient to ignore this reality—conservatives, because it gives too much credit to the "Clinton economy" and the president's success in expanding aid to the working poor but too little credit to Republican welfare reform; and liberals, because it suggests that many welfare recipients did not really "need" governmental benefits in the first place. But the failure to be clear about the reason for the decline in the welfare rolls not only prevents an accurate accounting of the law's impact but also fails to clarify what needs to be done in the next phase of welfare reform.

Welfare's Rise and Fall

For nearly sixty years, it seemed to most analysts that welfare rolls could only grow. With the exception of a few short-lived declines, the rolls grew from 147,000 families in 1936 to about five million in 1994—from less than 1 percent of all American families with children to about 15 percent.[4]

Between 1963 and 1973, there was a striking 230 percent increase in caseloads—not because of a bad economy (unemployment was actually quite low during most of this period) nor simply because of an increase in the breakdown of the family (both divorce and illegitimacy were rising, though not nearly as fast as caseloads). (See Figure 1.) Rather, the increase was largely the result of both programmatic changes that made it easier for income-eligible families to receive benefits, as well as the destigmatization of being on welfare. Where welfare agencies once discouraged applicants by pressing them to seek other means of support or by imposing a grueling eligibility process, the obstacles to enrollment were now lowered. New York City's rolls almost tripled in only five years (between 1965 and 1970) under liberal mayor John Lindsay.[5] The same liberalization was taking place across

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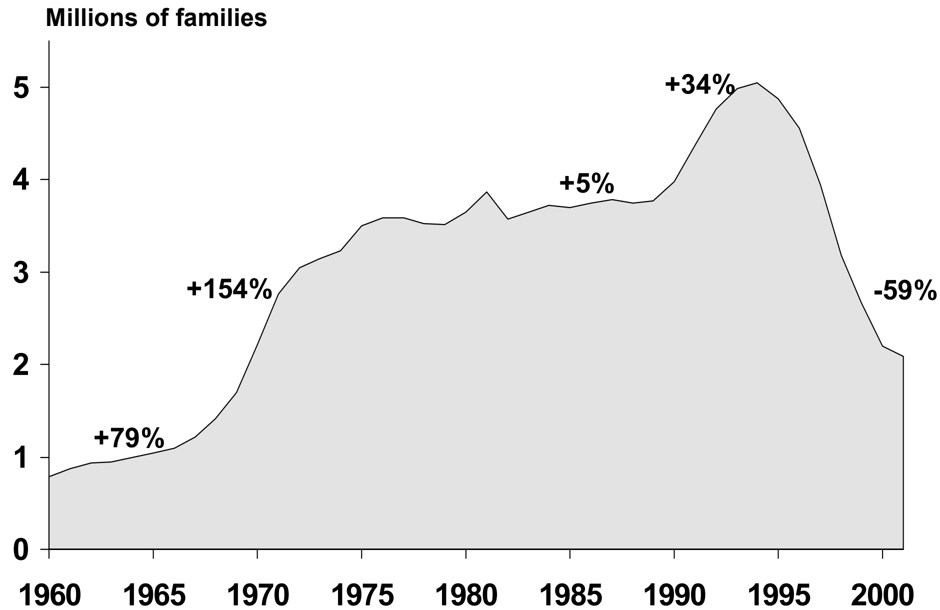
[3]Authors' estimate based on Julia B. Isaacs and Matthew R. Lyon, "A Cross-State Examination of Families Leaving Welfare: Findings from the ASPE-Funded Leaver Studies," paper presented at the National Association for Welfare Research and Statistics, August 2000, revised November 2000; General Accounting Office, *Welfare Reform: Information on Former Recipient Status* (Washington, D.C.: GPO, April 1999); Christine Devere, *Welfare Reform Research: What Do We Know About Those Who Leave Welfare?* (Washington, D.C.: Congressional Research Service, March 2001); and Gregory Acs and Pamela Loprest, *Initial Synthesis Report of the Findings from ASPE's "Leavers" Grants* (Washington, D.C.: Urban Institute, January 2001).

[4]Temporary Assistance for Needy Families (TANF) 1936–1999, available from: www.acf.dhhs.gov/news/stats/3697.htm, accessed December 30, 2001.

[5]New York City Human Resources Administration.

Figure 1. Welfare's Growth and Decline,1960-2001



Source: Douglas J. Besharov, 2001

the nation, as welfare came to be seen more as a right than as a temporary safety net. Some of the drive behind this national movement was undoubtedly the long overdue repeal of Jim Crow–like rules in the South that kept African-American mothers off welfare.

After this liberalization, caseloads stayed roughly steady for almost fifteen years. They rose again, by 34 percent, between 1989 and 1994, largely because of the weak economy. But there were other important causes: a spike in out-of-wedlock births among some groups; an increase in immigrant applications for means-tested benefits, either for themselves or their American-born children; five years of outreach efforts to get single mothers to sign up for Medicaid (and, therefore, welfare benefits); and an increase in child-only cases, perhaps caused by the spread of crack addiction among mothers and by an increase in cases of parental disability. (In some places, the impact of the recession was particularly severe: In the two years preceding New Hampshire's 1992 presidential primary, the rolls in that state rose by about 80 percent, perhaps helping to explain why welfare reform became such a prominent aspect of Bill Clinton's campaign that year.[6])

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[6]Unpublished data from the Administration for Children and Families, Department of Health and Human Services.

Regardless of what caused rolls to rise in the past, they rarely fell back very far. Thus, no one predicted the huge reduction in the welfare rolls since 1994. Twenty-three states have had declines of over 60 percent; two states have reported declines of 85 percent or more.[7]

Some of these reported declines, however, exaggerate the actual reductions in welfare dependency. Some declines, for example, involve shifting cases from federal welfare programs to state-only programs. In California, for example, most two-parent welfare families—about fifty thousand—were moved to a separate state program and are no longer counted as part of the overall welfare caseload. Thus, the state's reported decline of 46 percent would be only 40 percent if the welfare cases transferred to its new program for two-parent families were counted.[8]

Another factor that artificially reduces caseloads is the increased use of "diversion payments," which are payments made before an applicant is actually placed on welfare. Some states use these payments to such an extent that they amount to a substitute for short periods on welfare. About half the states give lump-sum payments of up to about $2,000 (usually one time only) to help parents with temporary needs—instead of putting them on welfare.[9] In many states, these payments are designed to help a mother get or keep a job, but, in others, they are more similar to a short-term alternative to welfare. In Virginia, for example, welfare applicants may receive a cash payment equal to 120 days of assistance (about $1,200 for a family of three), which makes them ineligible for welfare for 160 days.

These payments can be an attractive alternative to regular welfare because recipients are not subject to work requirements, and the assistance usually does not count toward the time limit for benefits. They also make welfare rolls seem lower than they actually are. In the

[7]Authors' calculations based on Department of Health and Human Services, Administration for Children and Families, unpublished data (March 1994) and caseload data (September 2000), available from: http://www.acf.dhhs.gov/news/stats/caseload.htm, accessed December 31, 2001.

[8]Authors' calculation from data collected by the State of California and the Administration for Children and Families, Department of Health and Human Services (September 2000).

[9]Kathleen Maloy, LaDonna Pavetti, Peter Shin, Julie Darnell, and Lea Scarpulla-Nolan, *A Description and Assessment of State Approaches to Diversion Programs and Activities under Welfare Reform* (Washington, D.C.: Center for Health Policy Research at the George Washington University Medical Center, 1998).

eight states that we surveyed, for example, diversion payments reduced the measured size of caseloads by from about 1 percent to about 5 percent.[10]

These points, however, are minor quibbles. Indeed, almost everywhere, welfare rolls are way down, and work is way up. For example, never-married mothers—the group most prone to long-term welfare dependency—were 43 percent more likely to be working in 2000 than in 1994: 66 percent versus 46 percent.[11] But what is responsible for the decline in welfare and the increase in work?

The End of Welfare As We Know It

In 1992, Barbara Sabol, then New York City's welfare commissioner, visited two of her own welfare offices dressed in a "sweatshirt, jeans, and scarf or wig." She told the welfare workers she needed a job in order to care for her children, but regardless of how hard she tried, she could not get the workers to help her find a job.[12]

The same year, candidate Bill Clinton showed that he was a New Democrat by ambiguously promising to "end welfare as we know it." After the election, his administration granted many state waivers that, among other things, toughened work requirements and imposed partial time limits on benefits—ultimately culminating in the Republican-inspired 1996 welfare reform law (Temporary Assistance for Needy Families—also known as TANF).[13]

Because the Republican bill bore a superficial resemblance to what Clinton proposed, both sides were able to claim credit for reforming welfare; however, the changes in welfare were largely based on the Republican plan. While both bills placed time limits on benefits, the Clinton proposal included the entitlement to a public job afterward. The Republican bill, which had no such entitlement, also transformed the program into a capped

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[10]Authors' calculations based on a telephone survey of the following states: Arizona, Arkansas, Colorado, Florida, Iowa, Texas, Utah, and Virginia.

[11]Unpublished data from the Bureau of Labor Statistics.

[12]Telephone interview by Douglas Besharov with Barbara Sabol, March 24, 2000; see also Alison Mitchell, "Posing as Welfare Recipient, Agency Head Finds Indignity," *New York Times*, February 5, 1993.

[13]The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) program.

block grant, which gave states an incentive to cut caseloads because they got to keep any unexpended funds.

Today, Sabol would find that welfare workers are eager to find jobs for their clients. Across the nation, the culture of welfare offices has changed, from places where mothers are signed up for benefits (with almost no questions asked) to places where they are helped, cajoled, and, yes, even pressured to get a job or rely on others for support. The United States General Accounting Office described the change this way: "Under states' welfare reform programs, participation requirements are being imposed sooner than under JOBS [the old welfare regime], with many states requiring participation in job search activities immediately upon application for assistance. Before reform, recipients could wait months—or even years—before being required to participate, and many never were required to participate because of the lack of sufficient services and staff."[14]

Many welfare offices are now "job centers," where workers help applicants, and recipients find employment. Depending on the office, these centers can teach resume-writing and interviewing skills; provide access to word processors, fax machines, telephones, and even clothes; offer career counseling and financial-planning services; and refer individuals to employers who have specific job openings. In a survey of Texas welfare recipients who left the rolls in December 1996, over 60 percent said that the welfare agency "gave me the kind of help I needed."[15]

Some of this is boosterism, plain and simple, with welfare workers giving young mothers the moral support they often need. As one worker said, "Some of these women never thought that they could get a job. We give them the confidence to try." Nonetheless, the assistance also can be quite concrete. Besides large expansions in Medicaid and childcare, many states provide cash assistance to families on welfare to help them leave or stay off the rolls. These payments range from a few hundred dollars to over $2,000. For example, Texas provides stipends to help such families pay for employment-related expenses such as transportation, education, and training.[16] Virginia gives transportation

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[14]General Accounting Office, *States Are Restructuring Programs to Reduce Welfare Dependence* (Washington, D.C.: GPO, June 1998), 38.

[15]Carol Nemir, Richard Sanders, and Don Warren, *Why People Leave Welfare: Reasons Former Clients Give for the Decline in Welfare Caseloads in Texas,* Legislative Council Research Division Issue Brief (Austin, Tex.: Texas Legislative Council, 1997), 5.

[16]Eileen Sweeney, Liz Schott, Ed Lazere, Shawn Fremstad, Heide Goldberg, Jocelyn Guyer, David Super, and Clifford Johnson, *Windows of Opportunity: Strategies to Support Families Receiving Welfare and Other Low-Income Families in the Next Stage of Welfare Reform* (Washington, D.C.: Center on

allowances for up to one year after an individual leaves welfare.[17] And about a dozen states have created or expanded Earned Income Tax Credit (EITC)–like tax credits that low-income families can use for any purpose.[18]

In a real break from the past, however, few welfare agencies seem to focus their efforts on job training. Administrative data from the states indicate that only about 3 percent of adult welfare recipients are in some sort of formal job-training program (including vocational programs).[19] Instead, agencies now emphasize immediate job placement and on-the-job work experience. Not only does this give much-needed work experience to mothers; it also adds to the pressure to leave welfare or not even apply for it in the first place.

There is also a sharper edge to welfare reform, however. In most places, the application process for welfare has a new element: diversion. Diversion is a straightforward effort to keep families off welfare. It is encapsulated in two simple questions now asked of welfare applicants: Have you looked for a job? Can someone else support you? Many welfare agencies now maintain a bank of phones that applicants must use to call as many as twenty potential employers before they can even apply for benefits. When told of these requirements, many applicants simply walk out the door.

In New York City's job centers, for example, all applicants are encouraged to look for work (and are offered immediate cash support for childcare) or to seek support from relatives or other sources. Those who still decide to apply for welfare are required to go through a thirty-day assessment period during which they complete the application process and undergo a rigorous job-readiness and job-search regimen involving many sessions at the job center and other offices. At the end of this period, eligible, able-bodied adults who choose to receive assistance are required to participate in the city's workfare program. New York City officials estimate that the percentage of mothers entering these job centers who are eventually enrolled has fallen by about 40 percent, from about one-half to about one-third of applicants.[20]

Budget and Policy Priorities, January 2000), 8.

[17]Ibid., 11.

[18]Ibid., 9.

[19]U.S. Department of Health and Human Services, Office of Planning, Research, and Evaluation, "Temporary Assistance for Needy Families (TANF) Program," *Third Annual Report to Congress* (Washington, D.C.: GPO, August 1999), 48.

[20]Personal communication from Andrew Bush, former deputy administrator of New York City's Human Resources Administration, May 17, 2000.

The Hassle Factor

Being on welfare has also changed, but not as much as many people think. When Congress was considering welfare reform, most analysts expected the states to institute large, mandatory work programs in order to satisfy the bill's "participation" requirements. However, because those requirements were established in relation to 1995 welfare caseloads,[21] the sharp decline in the rolls since then has obviated the need for such programs—and few places beyond Wisconsin and New York City have established them.

Instead, almost all states require recipients to sign "self-sufficiency agreements" describing their plan for becoming self-sufficient within a specified time frame. Iowa, for example, requires all able-bodied recipients without infant children to develop and sign a Family Investment Agreement. Failure to sign or comply with this agreement can result in immediate and complete termination of cash assistance. In 1998, about 10 percent of those who began this process apparently had their benefits terminated for failure to sign or comply with the agreement.[22]

In addition, most states now impose various behavior-related rules such as requiring parents to have their children immunized from disease and to send them to school; in a few states, mothers and fathers must even attend parenting skills classes as a condition of receiving assistance. Failure to comply with these requirements may result in a reduction of benefits; in about thirty-seven states, benefits may even be terminated.[23] Most states begin with a partial reduction in benefits—generally, about one-third of the welfare grant—as a tool to enforce compliance with program requirements. When this is insufficient to ensure cooperation, however, an increasing number of states have resorted to full family sanctions. (In seven states, continued non-compliance can result in a lifetime ban on public assistance.)[24]

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[21]The requirements include a caseload reduction credit, which provides for a reduction in the participation rate based on the percentage decline in caseloads since 1995. (In fact, forty-three states faced an "adjusted" participation rate of 10 percent or less in 1999—compared to a statutory rate of 35 percent—and twenty-three states had caseload declines so large that they did not have to place anyone in a work activity.

[22]Authors' calculation from data submitted by Ann Weibers to Peter Germanis, November 1998.

[23]General Accounting Office, *State Sanction Policies and Number of Families Affected* (Washington, D.C.: GPO, March 2000), 17.

[24]Ibid.

According to administrative data, in 1999, 6.2 percent (or 156,000) of the 2.5 million families who left welfare in the United States did so after a sanction.[25] In some states, the percentage was over 30 percent.[26] The national data may understate the impact of sanctions, since in some states, welfare recipients who are at risk of a long-term sanction may voluntarily close their cases so that they can reapply if they need to do so later. On the other hand, some mothers apparently do not respond to a sanction notice after they get a job or decide to leave welfare.

These and other new requirements raise what economists would call the "cost" of being on welfare. By a rough calculation that assumes that recipients value their time at the minimum wage, these kinds of requirements can reduce the advantage of being on welfare versus working by about 50 percent. In very low-benefit states, the advantage can fall to zero.

This amounts to the reintroduction of one aspect of applying for welfare—hassle—and it clearly leads some welfare recipients to seek other ways of supporting themselves. When these new requirements are explained to applicants, they often say things such as, "I guess I might as well get a real job" or "I might as well move back home." Or they just walk out of the office—or stop responding to warnings that they will lose their benefits if they do not participate in work-related activities.

In the 1996 Texas survey of former recipients, about one-quarter of respondents said that important factors for leaving were either "unfriendly caseworkers" or "new program requirements."[27] And in a survey of those who left welfare in South Carolina between January and March of 1997, 60 percent said they felt hassled, and 13 percent said that is why they left.[28] About one-third said that the state's welfare program "wants to get rid of people, not help them."[29] A similar survey was conducted in Wisconsin for those who left welfare in

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[25]U.S. Department of Health and Human Services, 1999, 152.

[26]Ibid.

[27]Carol Nemir et al., 4.

[28]South Carolina Department of Social Services, Division of Program Quality Assurance, *Survey of Former Family Independence Program Clients: Cases Closed during January through March 1997* (Columbia, S.C.: South Carolina Department of Social Services, 1997), 6.

[29]Ibid., 16.

1998, and the results were about the same.[30] (Of course, hassle may have led others to leave welfare, though they may have cited some other reason, such as finding a job.)

These are dramatic changes in welfare, and it is natural to assume that they are responsible for recent caseload declines; however, welfare reform has coincided with the strongest economy in at least three decades, coupled with an unprecedented increase in aid to the working poor. The increased returns for low-skilled work are probably as responsible for the decline in welfare—perhaps more so.

Work Pays

"A rising tide lifts all boats," as President John Kennedy said.[31] The strong economy, most experts agree, has played a key role in the welfare declines. In 1994, two years before the welfare law was enacted, the rolls had already started falling; this decline also occurred before the welfare waivers that allowed some states to "get tough" on welfare recipients could have much impact. The weak economic conditions that helped drive up welfare rolls during the presidency of George H. W. Bush ended a few months before he left office (not soon enough, of course, to affect the election). Between January 1993 and November 2000, the economic news was truly remarkable: Real per capita gross domestic product rose about 25 percent in real dollars, twenty million new jobs were created, the employment-to-population ratio (64.3 percent) was the highest ever, and the unemployment rate (4.1 percent) was at its lowest level since 1970.[32]

Most relevant to the welfare decline has been the increase in average real earnings, especially among low-wage workers. For example, since the second quarter of 1996, weekly earnings for full-time workers have grown 5.3 percent.[33] The gains for low-income, full-time workers have been even larger: 7.0 percent for those at the twenty-fifth percentile of earnings, and 8.5 percent for those at the tenth percentile of earnings.[34]

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[30]State of Wisconsin, Department of Workforce Development, *Survey of Those Leaving AFDC or W-2 January to March 1998, Preliminary Report* (Madison, Wis.: Department of Workforce Development, 1998).

[31]John F. Kennedy, *Public Papers of the Presidents of the United States: John F. Kennedy, January 1 to December 31, 1962* (Washington, D.C.: GPO, 1962), 626.

[32]Council of Economic Advisers and the Office of the Chief Economist, *Twenty Million Jobs: January 1993–November 1999* (Washington, D.C.: Council of Economic Advisers, December 1999).

[33]Ibid., 6.

[34]Ibid.

Also helping to reduce caseloads has been the progress in fulfilling Clinton's promise "to make work pay." Both Democratic and Republican Congresses have supported—to varying degrees—Clinton's initiatives for massive increases in governmental aid to the working poor. As a result, this spending now far exceeds what was spent on the old Aid to Families with Dependent Children (AFDC) program. Between 1993 and 1999 alone, a conservative estimate is that total aid to the working poor increased by nearly $30 billion a year, from about $40 billion to nearly $70 billion (in 1999 dollars).[35] At its height, combined federal and state spending on AFDC never exceeded $30 billion.

The EITC, for example, provides a cash subsidy to low-income working parents. Between 1993 and 1999, total expenditures on the EITC rose $12 billion, from $18 billion to $30 billion (in 1999 dollars). The increases for particular groups were striking: For example, the income supplement for a single mother (with two children) working at the minimum wage more than doubled, rising from about $1,700 to about $3,900 per year.

Childcare aid has also expanded, becoming all but an entitlement for those families leaving welfare. Total annual federal and related state childcare expenditures rose from $8 billion to over $14 billion in the same years, providing childcare slots for well over 1 million additional children. Gaps in coverage remain, and take-up rates may be lower than the rates advocated by many experts (although the latter is probably due to the fact that so many parents already have access to government-subsidized childcare or have other family members who can care for their children). In any event, subsidized childcare is obviously helping many low-skilled and low-earning mothers to be employed.

Medicaid eligibility, too, has been substantially expanded. While Medicaid was once limited primarily to families receiving welfare, sequential expansions for pregnant women and children (beginning in the mid-1980s) have taken eligibility to between 100 percent and 250 percent of the poverty line (depending on the child's age and the state program). The welfare reform law gave states the authority to expand coverage for adults, and some have done so. As a result, total Medicaid and related healthcare costs for low-income families with children rose from $15 billion in 1993 to $24 billion in 1999—making millions more children (and sometimes families) eligible.

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[35]This can be a somewhat misleading figure, as it is driven by both program expansions and an increase in the number of working poor families eligible for these benefits. To show the impact of policy expansions, the Congressional Budget Office estimated what federal expenditures would have been if expansions in childcare, healthcare, and tax credits since 1983 had not taken place. The CBO calculated that federal aid to the working poor would have been just $7 billion in 1999 under the 1983 policies, compared to the actual amount of $52 billion. (This estimate is different from the one in the text because it does not include state spending. Neither estimate includes increases in spending on other non-entitlement programs such as housing assistance.)

The absence of healthcare coverage is not an insuperable barrier to work for healthy mothers with healthy children, but for those mothers who live with chronic illnesses or care for sick children, the threat of losing coverage can be a substantial disincentive to leave welfare.

President Clinton also managed to push through the Republican-controlled Congress a two-stage increase in the minimum wage—from $4.25 an hour to $4.75 an hour on October 1, 1996, and then to the current $5.15 an hour on September 1, 1997. Moreover, additional expansions in aid to the working poor are looming. The child tax credit and State Child Health Insurance Program (SCHIP) will grow as they are fully phased in. The Clinton administration also obtained further expansions in childcare, Medicaid, and food stamps. And with George W. Bush's rebuke on the campaign trail of efforts to trim the EITC and his vigorous advocacy on behalf of the SCHIP program in Texas, similar support for the working poor is likely in a Bush administration.

Explaining the Decline

A number of respected researchers have used econometric models to estimate how much of the caseload decline was caused by welfare reform itself, compared with the economy and increased aid to the working poor.[36] The models they use, unfortunately, are extremely sensitive to the assumptions and variables incorporated, making their findings imprecise and variable. Nevertheless, most of the studies lead to a similar conclusion: In the early years of the caseload decline (1994–1996), around 40 or 50 percent of the decline was due to the economy and the stronger job prospects for low-skilled workers. Later in the economic expansion (1996–1999), the economy accounted for only about 10 to 20 percent of the decline.

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[36]Council of Economic Advisers, *Explaining the Decline in Welfare Receipt, 1993–1996* (Washington, D.C.: GPO, May 1997); Alberto Martini and Michael Wiseman, *Explaining the Recent Decline in Welfare Caseloads: Is the Council of Economic Advisers Right?* (Washington, D.C.: Urban Institute, 1997); David Figlio and James Ziliak, "Welfare Reform, the Business Cycle, and the Decline in AFDC Caseloads," (paper presented at the conference "Welfare Reform and the Macroeconomy," Washington, D.C., October 1998); Geoffrey Wallace and Rebecca Blank, "What Goes Up Must Come Down? Explaining Recent Changes in Public Assistance Caseloads," paper presented at the conference "Welfare Reform and the Macroeconomy," Washington, D.C., October 1998; Council of Economic Advisers, *The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update* (Washington, D.C.: GPO, August 1999); Robert A. Moffit, *The Effect of Pre-PRWORA Waivers on AFDC Caseloads and Female Earnings, Income, and Labor Force Participation* (Baltimore, Md.: Johns Hopkins University, 1999); Stacy Dickert, Scott Houser, and John Scholz, "The Earned Income Tax Credit and Transfer Programs: A Study of Labor Market and Program Participation," *Tax Policy and the Economy* 9 (1995): 1–50; Marianne Page, Joanne Spetz, and Jane Millar, *Does the Minimum Wage Affect Welfare Caseloads?* (San Francisco: Public Policy Institute of California, June 1998).

Many studies also attempt to gauge the impact of increased aid to the working poor. This decade-long effort to “make work pay” may be a more important factor in the declining rolls, accounting for perhaps 40 to 50 percent of the initial declines and 30 to 40 percent of the later declines.

As for welfare reform itself, these studies usually estimate its impact at 15 to 20 percent of the early declines and about 30 to 40 percent of the later ones. (Most studies also find that the failure to increase welfare benefits, a twenty-year trend, reduced rolls another 5 to 10 percent.) After consolidating the estimated impacts on initial and later declines (and weighting them for the size of each), we find that the studies suggest the following:

Explanations for Declining Welfare Caseloads
1994–1999

Economy	15 to 25 percent
Aid to the working poor	30 to 45 percent
Minimum wage increases	0 to 5 percent
Welfare reform	30 to 45 percent

Placing too much confidence in the results of such econometric models is always questionable. These studies have many weaknesses, including the failure to include all policy changes, such as heightened child-support enforcement. Most also fail to consider partially independent demographic factors such as declines in out-of-wedlock births, drug abuse, crime, and immigration. We doubt, for example, that increased aid to the working poor has had as much impact as the econometric models suggest; we attribute more of the decline to the strong economy and to welfare reform in general because of the dynamics of exits, described below. Nevertheless, these studies were carefully conducted, and their results are roughly consistent. Therefore, it seems reasonable to conclude that these studies correctly reflect the approximate contribution of these four factors—the economy, aid to the working poor, minimum wage increases, and welfare reform—to the decline in caseloads.

It is possible that welfare reform has played a more substantial role, interacting with the strong economy and more generous aid to the working poor to encourage more single mothers to find jobs. By this way of thinking, the strong economy and more generous aid are necessary but not sufficient conditions for making the transition from welfare to work—with welfare reform providing the needed motivation for people to seek jobs or to enlist the support of others who have jobs. After all, we have had strong economies in the past without concomitant welfare declines; sometimes welfare rolls have even risen. In other words, the impact of each of the factors may be greater than would otherwise be the case if each had occurred alone. For example, David Ellwood, professor of political economy at Harvard University’s John F. Kennedy School of Government, comes to just this conclusion:

"Administrative [welfare] changes interact with the economy and the availability of other benefits. States appear far more willing to sanction people or refuse them aid if jobs are perceived to be relatively plentiful."[37]

This appealing thought blurs the policy distinctions among welfare reform, aid to the working poor, and a strong economy. We would be happy if the caseload decline were a combined effect of the interaction among these factors, but even states that have not implemented "get tough" welfare reform have experienced large declines in welfare caseloads. Thus, unless there are giant spillover effects from one state to another, welfare reform, the economy, and aid to the working poor are independent and major forces drawing down caseloads. Even so, it is immensely fortunate for welfare recipients—and politicians—that all three came together at roughly the same time.

The results of randomized welfare experiments seem to confirm econometric estimates of welfare reform's partial role in reducing caseloads. Starting in earnest in 1992, states were granted waivers from the old AFDC rules, but only if they established rigorous, random-assignment experiments to measure the impact of their new policies. Many of these new policies bear a close resemblance to the program restrictions in new-style state welfare regimes, such as establishing tougher work requirements, placing time limits on benefits, and linking benefits to immunization and school attendance. The experiments also reflect many of the expansions in benefits that characterize welfare reform, such as liberalized earnings disregards (which allow working recipients to keep more of their benefits), resource limits, transitional benefits, and eligibility for two-parent families. About ten of these experiments have yielded findings that provide an indirect measure of welfare reform's impact on caseloads.

Across all ten of these waiver studies, and regardless of the varying combination of program components, the difference between the experimental and control groups is rarely more than a few percentage points. The biggest declines in welfare receipt due to welfare reform do not exceed 15 percent or so, often over two or three years. This does not mean that welfare reform's contribution to the decline is only 15 percent. We recognize that these randomized experiments are an imperfect measure of welfare reform's potential impact because they do not capture either its role in discouraging people from going on the rolls ("entry effects") nor its broader impact on personal and agency behavior (partly through a

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[37]David T. Ellwood, *The Impact of the Earned Income Tax Credit and Social Policy Reforms on Work, Marriage, and Living Arrangements* (Cambridge, Mass.: John F. Kennedy School of Government at Harvard University, November 1999), 12.

change in community values).[38] The point is that no rigorously evaluated program of welfare reform has ever had an impact even remotely comparable to what has happened to national welfare caseloads.

Indeed, sometimes the group receiving the "reformed" welfare services was less likely to leave the rolls. This is due to the fact that most of the waiver experiments, like most state-implemented welfare reforms, include components that both decrease caseloads (such as work mandates) and increase them (such as the expansion of earnings disregards).[39] Thus, Minnesota's "welfare reform," which expanded the state's earnings disregard, asset limits,

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[38]Normally, program impacts are measured in terms of the difference in average outcomes between the experimental and the control group. A properly planned and implemented randomized experiment should result in experimental and control groups that have comparable characteristics and that are exposed to the same outside forces, such as economic conditions and social environments. The purpose of the randomization is to exclude the influence of all outside factors, so that any subsequent differences in outcomes between the two groups can be attributed to the prescribed intervention. That means that, in a time of general caseload declines, both experimental and control groups will see rapid declines in welfare receipt. The impact of welfare reform is the total decline in the experimental group minus the control group.

Consider Florida's Family Transition Program (FTP), which was rigorously evaluated in one county: Welfare receipt fell by 75 percent among those in the FTP group three years after enrolling in the program (Dan Bloom, Mary Farrell, James Kemple, and Nandita Verma, *The Family Transition Program: Implementation and Three-Year Impacts of Florida's Initial Time-Limited Welfare Program* [New York: Manpower Demonstration Research Corporation, April 1999], 163). However, because it also fell by 60 percent for those in the control group, the experimental-control difference of 15 percent represents the impact of Florida's welfare reform. (Conversely, if the caseload had fallen faster in the control group than in the experimental group, this would suggest that welfare reform had a caseload-increasing impact.)

This estimate is not directly comparable to the caseload decline in the county where the program was tested, because the overall caseload is affected by a constant flow of entries and exits, whereas the caseload changes reported above are for a cohort entering the program about three years earlier. Thus, the caseload can only decline, because no new people are added. Nevertheless, the findings are suggestive of the impact on the overall caseload.

[39]The expansion of earnings disregards allows recipients to keep a larger portion of their earnings without losing benefits. (In seventeen states, for example, a family of three can earn over $12,000 a year and still retain at least some benefits.) Although a disregard encourages some mothers to start working, it encourages others to stay on welfare while also working. Thus, a generous disregard probably increases caseloads by as much as 10 or 15 percent. (Some would argue that earnings disregards also build self-confidence about working by allowing mothers to combine work and welfare.)

and two-parent eligibility for benefits, while imposing modest work requirements, increased caseloads by almost 5 percent for long-term recipients after twenty-one months.[40]

Leaving Welfare without Working[41]

In addition to the often-unappreciated contribution of the economy and aid to the working poor, another significant aspect of the caseload decline is that so many mothers seem to be leaving welfare without taking jobs.

The best source of data about families who have left welfare are surveys of former welfare recipients ("leaver studies") that have been conducted by various states and by the Urban Institute.[42] Although all of these studies have some weaknesses, such as low response rates and insufficiently detailed information, the best studies tell almost the same story: Between 60 and 70 percent of those who have left welfare were employed at the time they were surveyed (and 60 to 85 percent had been employed at some point since leaving). Of those who were working, about 60 to 80 percent seem to work full-time, earning about $6 to $8 per hour (or about $800 to $1,000 per month). The remainder worked fewer hours and thus earned less money. (Many studies, however, exclude the 20 to 30 percent of leaver families who have returned to welfare, which tends to minimize the difficulty that some mothers face in finding work.)

Broader measures of employment are consistent with this high level of non-work among leavers—and also suggest that many of the single mothers who did not go on welfare are also not working. For example, between March 1994 and March 1999, the number of employed single mothers with children under age eighteen increased by 1.34 million (from 5.712 million to 7.052 million).[43] During the same period, welfare caseloads (almost all of which include single mothers) fell by 2.81 million (from 5.098 million to 2.288 million).

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[40]Cynthia Miller, Virginia Knox, Patricia Auspos, Jo Anna Hunter-Manns, and Alan Orenstein, *Making Welfare Work and Work Pay: Implementation and Eighteen-Month Impacts of the Minnesota Family Investment Program* (New York: Manpower Demonstration Research Corporation, October 1997).

[41]Although the caseload decline may also be influenced by fewer entrants, the data to assess these numbers and the reasons for non-entry are not available. Thus, we rely on the leaver studies as a proxy for assessing what is happening as a result of the broader caseload decline.

[42]General Accounting Office, 1999; Sarah Brauner and Pamela Loprest, *Where Are They Now? What States' Studies of People Who Left Welfare Tell Us* (Washington, D.C.: Urban Institute, May 1999); Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?* (Washington, D.C.: Urban Institute, 1999).

[43]Unpublished data from the Bureau of Labor Statistics.

Even if the entire 1.34 million increase in the number of single mothers working in this period represented those who were previously on welfare (or who would have gone on welfare during that time), this would still amount to less than half of the caseload decline.

Some mothers who have left welfare, of course, may not be reporting their employment. A four-city study conducted by researchers Kathryn Edin and Laura Lein in the early 1990s found that about 30 percent of low-income working mothers and about 50 percent of welfare mothers did not report work,[44] but there is no reason that the percentage of individuals not reporting work should have grown in recent years. If anything, the expansions in earnings disregards and the EITC should have encouraged more low-income mothers to report their employment.

Thus, only about 50 to 60 percent of the mothers who have left welfare (and have stayed off) seem to be working regularly (with *regularly* defined as at least almost full-time for a long period of time, generally over six months). The surprisingly large number of individuals leaving without work has been all but ignored by most commentators, including severe critics of welfare reform. Yet this has profound implications for the economic and social conditions of low-income families.

Other Sources of Support

How could so many mothers have left welfare without working? Work requirements and heightened levels of hassle would be expected to cause mothers to leave welfare for work, even for relatively low-paying work. But why would mothers leave welfare without having jobs? The burdens placed on them hardly seem a sufficient reason for them to abandon the only means of support for themselves and their children.

The leaver studies suggest the answer: These mothers have other sources of support besides welfare. In South Carolina, for example, non-working leavers were almost twice as likely as working leavers to have other sources of support—including other forms of governmental assistance, such as Social Security (13 percent versus 6 percent) or Supplemental Security Income (SSI) (20 percent versus 8 percent); free housing from a parent or relative (15 percent versus 10 percent); another adult in the home to help with the bills (17 percent versus 7 percent); or help from someone outside the home (22 percent versus 8 percent).[45] A study of former of recipients in Milwaukee conducted by the Hudson

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[44]Kathryn Edin and Laura Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997), 150–151.

[45]South Carolina Department of Social Services, Office of Program Reform, Evaluation, and Research, *Comparison Between Working and Non-Working Clients Whose Cases Were Closed between January*

Institute and Mathematica Policy Research found that over two-thirds of all the mothers who left welfare received help (e.g., transportation assistance, a place to stay, or food) from family or friends. Those leavers who were not working were about 15 percent more likely to be receiving such help (72 percent versus 63 percent).[46]

Most leaver studies do not separately identify the sources of support for working and non-working mothers, but they do reinforce the importance of other household members or income sources. In Iowa, after families were dropped from welfare, they were about 33 percent more likely to be relying on others for a place to stay (25 percent versus 33 percent).[47] Similarly, in Florida, where families have begun to lose welfare benefits due to a time limit, one-third of those who hit the time limit either moved or had a different living arrangement, such as adding another household member to help with the expenses.[48] Finally, in Connecticut, 43 percent of the families who left welfare due to the state's twenty-one-month time limit reported living with at least one other adult, six months after the termination of benefits.[49] (There is no comparison data for the period before the time limit was imposed.)

When welfare reform was being debated in 1996, many experts predicted that as mothers were pushed off welfare, there would be increases in such "co-residency" or "doubling-up" arrangements. So far, however, there is little evidence of substantial increases in co-residency (or marriage, for that matter). According to Harvard sociologist Christopher Jencks, for example, the total number of single mothers residing with another adult has remained essentially stable since 1988, with no discernable change after welfare reform.[50] It is possible that many single mothers did enter such living arrangements but that the total number of such women remained constant—with as many mothers having left such

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and March 1997 (Columbia, S.C.: South Carolina Department of Social Services, March 1998), 7.

[46]Rebecca Swartz, Jacqueline Kauff, Lucia Nixon, Tom Fraker, Jay Hein, and Susan Mitchell, *Converting to Wisconsin Works: Where Did Families Go When AFDC Ended in Milwaukee?* (Madison, Wis.: Hudson Institute and Mathematica Policy Research, 1999), 66.

[47]Lucia Nixon, Jaqueline Kauff, and Jan Losby, *Second Assignments to Iowa's Limited Benefit Plan*, (Washington, D.C.: Mathematica Policy Research, August 1999), C20.

[48]Dan Bloom et al., 94.

[49]Jo Anna Hunter-Manns and Dan Bloom, *Connecticut Post–Time Limit Tracking Study: Six-Month Survey Results* (New York: Manpower Demonstration Research Corporation, January 1999), 8.

[50]Christopher Jencks and Joseph Swingle, "Without a Net: Whom the Welfare Law Helps and Hurts," *The American Prospect*, January 3, 2000, 40.

arrangements because of the improving economy as entered them because they were pushed off welfare. Without more data, it is impossible to know for sure.

There is another way that mothers can leave welfare without working: They can fall back on *pre-existing* co-residency arrangements (together with other sources of support). Based on a study by Rebecca London, which used data from the Survey of Income and Program Participation, we calculate that, in 1990, before the declines in welfare caseloads, at least 37 percent of welfare mothers lived with other adults: 18 percent with their parents, 6 percent with a boyfriend, and 13 percent with others.[51]

These findings may seem surprising, but for many years now, the welfare system has largely ignored household income in such co-residency arrangements. Depending on the situation, the income of the grandparents with whom a welfare mother was living would not be considered (for example, if the mother was an adult herself); and the man-in-the-house rule (which denied benefits to households with a cohabiting male) was abandoned years ago.[52]

We suggest that when faced with the newly established work and behavioral requirements, mothers who had other sources of support sufficient to permit them to forego welfare (predominantly those living in households with adequate economic resources) simply left welfare without looking for work. This would be nothing new. For example, in

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[51]Rebecca London, "The Interaction Between Single Mothers' Living Arrangements and Welfare Participation," *Journal of Policy Analysis and Management* 19, no. 1 (2000); and personal communication from Rebecca London, April 5, 2000.

[52]Under the old AFDC program, the income of stepparents (and the parents of minor parents) was generally counted toward the income of an AFDC family, after allowing for three deductions: the first $90 of earned income; the amount of the state's "need standard" for the stepparent (or grandparent) and other dependents who were not in the AFDC unit; and the amount paid by the stepparent (or grandparent) to other legal dependents outside the home (e.g., for child support or alimony). This could result in the reduction of assistance or even ineligibility in some cases. A number of states received waivers to increase these income disregards, thus expanding eligibility and benefits for those with such living arrangements.

In the early years of AFDC, many states denied benefits to mothers who cohabited with a man. The Supreme Court struck down the so-called "man-in-the-house" rule in 1968, and the income of the cohabitor was generally not counted, unless there was evidence of an explicit contribution from the man to the mother for the support of her family. (If the cohabiting male was the biological father of at least one of the mother's children, the family could only be considered for the AFDC-Unemployed Parent waiver. Similarly, if a single adult AFDC mother lived with her parents or other adults, their income was generally excluded as well.

the Teenage Parent Demonstration, about 11 percent of the young mothers left welfare rather than comply with the program's requirements, explains Rebecca Maynard, "primarily because they had other means of support and so left welfare rather than participate."[53]

As suggested by the leaver studies, it also helps that many of these mothers are still receiving other governmental benefits—primarily food stamps and housing assistance—which are often much more valuable than the basic welfare payment. (The continued availability of Medicaid also encourages mothers to leave welfare without finding work, even if the family does not sign up for coverage until someone takes ill.) On their own, non-working mothers cannot subsist on only these benefits; however, non-working mothers living with others (or getting support from others) can get by.

This is particularly the case in low-benefit states where it may simply no longer "pay" to be on welfare. In Alabama, for example, in 1999, the welfare benefit for a family of three was just $164 per month, compared to a food stamp allotment of $329. (Moreover, the food stamp benefit comes with virtually no strings attached, whereas cash assistance can be accompanied by work and other behavioral requirements that further reduce its value.) So mothers in low-benefit states can leave welfare and not suffer a complete loss of income, especially if there are other adults in the household with an income.

This makes economic sense. If one assumes that these mothers value their time at the minimum wage or above, then there is little incentive for them to engage in work activities for twenty to thirty hours per week to avoid a sanction that can be as little as $10 to $50 per week. The added income from complying with these requirements translates into an effective wage of fifty cents to two dollars per hour, which, for most, does not compensate for the lost free time (what economists call leisure) that mothers can use, for example, to care for their children or take a job with unreported income. Data on this behavior are difficult to obtain, but its possible magnitude is suggested by the following: Between 1994 and 1998, there was an increase of 10 percent in the number of single-parent families with no earnings who were on food stamps but not on welfare.[54] While this is an imperfect measure, it could easily understate the phenomenon.

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[53]Rebecca A. Maynard, "Paternalism, Teenage Pregnancy Prevention, and Teenage Parent Services," in *The New Paternalism: Supervisory Approaches to Poverty,* Lawrence Mead, editor (Washington, D.C.: Brookings Institution Press, 1997), 28.

[54]U.S. Department of Agriculture, Office of Analysis, Nutrition, and Evaluation, *Who Is Leaving the Food Stamp Program? An Analysis of Caseload Changes from 1994 to 1998* (Alexandria, Va.: Department of Agriculture, Food and Nutrition Service, August 1999), Table 3.

Both the economy and aid to the working poor could play roles here, as more households would *become* economically comfortable enough for the mother to leave welfare without working. This would be consistent with earlier patterns. Greg Duncan of Northwestern University and his colleagues used data from the Panel Study of Income Dynamics (PSID) to determine why mothers left welfare between 1986 and 1991.[55] ("Leaving welfare" was defined as receiving welfare in one year but not in the next year.) They found that about one-half of welfare exits were for work (or a rise in earnings); about one-quarter were due to changes in marital status or living arrangements; about 5 percent occurred because there were no longer children under eighteen living in the household; and the remainder were due to a variety of reasons, such as an increase in other transfer income or a change in the mother's state of residence. About one-third of the earnings-related exits involved an increase in the earnings of an adult *already* in the household other than the mother, thus demonstrating the importance of shared living arrangements.

In Iowa, for example, a survey of families conducted two to four months after their benefits had been terminated for a second time found that only one-third of sanctioned families reported a reduction in their household income (averaging $384 per month), despite the loss of their welfare check.[56] One-half of these families experienced an increase in household income (averaging $758 per month), nearly double their income before the sanction. The primary sources of this additional income were the former recipient's own earnings and an increase in the earnings of other household members—which is, as we have seen, an important alternate source of family support.

These dynamics also explain the behavior of those mothers whom Larry Mead of New York University calls the "happily sanctioned." Such mothers accept less in welfare benefits rather than choose to work or meet other behavioral requirements. In about fourteen states—which include about half of the national welfare caseload—the sanction for non-compliance is only a partial reduction in benefits; that is, the family's grant is reduced by some percentage, usually representing the mother's share of the grant (about one-third of the welfare check). These mothers may not actually be happy, but since this reduction typically amounts to only one-sixth of their total benefit package, one can see why they willingly make the trade-off.

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[55]U.S. Department of Health and Human Services, Office of Assistant Secretary for Planning and Evaluation, *Indicators of Welfare Dependence: Annual Report to Congress* (Washington, D.C.: GPO, October 1998): Table 8b.

[56]Lucia Nixon et al., C32.

Assessing "Welfare Reform"

When congressional Republicans were pushing for the enactment of their welfare reform bill in 1996, opponents predicted widespread hardship—including sharp increases in homelessness and in the number of children living in poverty. Happily, no such catastrophe has followed welfare reform. There is no evidence that welfare reform has caused substantial increases in homelessness or in other indicators of extreme hardship, such as foster care placements or substantiated reports of child abuse and neglect. And despite extensive efforts, journalists have found few individual horror stories with which to document the harmful effects of welfare reform. As one administrator said, "We underestimated the ability [of welfare recipients] to get jobs that meet their basic needs—or to get support from other sources."[57]

For a while, it appeared that incomes of the poorest single mothers might be edging down—a sign that welfare reform might be squeezing those at the bottom. A widely disseminated study by Wendell Primus of the Center on Budget and Policy Priorities estimated that, from 1995 to 1997, the bottom quintile of single mothers had experienced an 8 percent drop in income. Even though many of these mothers were not welfare leavers (nor were they likely to have gone on assistance before welfare reform),[58] advocates latched onto this income decline as a sign that welfare reform should be reconsidered. However, after another year of data, Primus's further analysis has reduced the estimated income loss for this group to about 4 percent. In the same period—1995 to 1998—all the other quintiles of income for single mothers rose, with the middle quintile up 7 percent, from $20,617 to $22,063. In a more recent update, Richard Bavier of the United States Office of Management and Budget indicates that "incomes of the poorest female family heads with children turned up in 1999," and that "a number of income measures returned to post-1993 peaks."[59]

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[57]Private conversation with Douglas J. Besharov.

[58]Unpublished data produced by Wendell Primus and Richard Bavier indicate that, even in 1995, only about half of all families in the bottom quintile received AFDC. This suggests that other forces may partially explain the low incomes of some families at the bottom of the income distribution. For example, some families may have low incomes because they are self-employed and experience a temporary period of low income. Or, some may have been female heads at the time of the survey, but in a different type of family in the preceding year. Thus, their low income and non-participation in welfare may be because they faced very different circumstances in the preceding year. And others may be living with another adult and simply do not need welfare. Clearly, more information is needed about the characteristics of this group, but since about half of the families in the bottom quintile have traditionally not relied on cash welfare, attributing an income decline in this quintile to welfare reform is just speculation.

[59]Personal communication from Richard Bavier to Douglas Besharov, January 16, 2001.

However, if welfare reform has not been the social catastrophe that some predicted, neither has it lifted large numbers of female-headed families out of poverty. While some mothers left welfare for relatively higher paying jobs, others accepted lower paying jobs. Thanks to the EITC and other forms of aid, most of the mothers who left welfare and are now working have more income than they did when they were on welfare, but average earnings are only about $12,000 a year. And as we saw, many mothers simply left welfare without working. And unless these mothers lived with someone earning a great deal more, they probably suffered at least a partial loss of income.

Moreover, some of those who gained income through work may not be immediately better off, since they are also likely to have more expenses. Even if their childcare costs are fully covered by public subsidy or family members, mothers leaving welfare still face other work-related expenses, such as transportation and clothing; and by working, they lose the ability to earn additional money off the books. Thus, their higher incomes come at the price of having to work many hours a week while also raising their children, often on their own.

There are many weaknesses in the data that underlie the foregoing conclusions. For example, it is difficult to find and count the number of homeless families and individuals, much less to get detailed information on their characteristics. Data on substantiated cases of child maltreatment, for example, are a function of the number of reports received, the ability of the system to investigate them, and the willingness of states to report them. Even the much-cited income data used to measure trends in financial well-being are plagued by numerous problems. Perhaps most significantly, reported welfare receipt in the Current Population Survey (CPS) is over one-third lower than that indicated by administrative records. These surveys also miss much of the income that is earned working off the books or is received from boyfriends or other household members. For example, recipients may want to conceal this income from those administering the survey, for fear that it could affect their welfare eligibility.

This mixed picture of life after welfare is captured in the before-and-after questions asked in some of the more reliable leaver studies (Mississippi, New Mexico, South Carolina, Virginia, Washington, and Wisconsin).[60] Depending on the study, between 20 and 40 percent

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[60]Jesse Beeler, Bill Brister, Sharon Chambry, and Anne McDonald, *Tracking of TANF Clients: First Report of a Longitudinal Study: Mississippi's TANF State Program* (Jackson, Miss.: Center for Applied Research, Millsaps College, January 28, 1999, revised); MAXIMUS, *New Mexico Longitudinal Study: Results of the First Year Follow-Up Surveys* (Washington, D.C.: MAXIMUS, April 2000); South Carolina Department of Social Services, Office of Program Reform, Evaluation, and Research, 1998; South Carolina Department of Social Services, Division of Program Quality Assurance, 1997; Carole Kuhns, Anne Gordon, Roberto Agodini, and Renee Loeffler, *The Virginia Closed Case Study: Experience of Virginia Families One Year after Leaving Temporary Assistance for Needy Families* (Falls

of those responding said that life was better while they were on welfare. Conversely, 60 to 80 percent of former recipients said that life is the same or better since they have been off welfare. (Three states asked separately about being better off.[61] In all three, about 55 percent said they were better off, about 25 percent said they were doing the same, and about 20 percent said they were worse off.)

What should we make of these patterns? First, reducing welfare rolls is a tremendous and unprecedented achievement, especially given the apparently small amount of additional hardship. If this result had been guaranteed when welfare reform was being debated in 1996, most opposition would surely have melted away. Indeed, even some past opponents of welfare reform have been quieted by its apparent early success. Nevertheless, the reduction in welfare rolls is not entirely due to welfare reform itself; a robust economy and unprecedented increases in aid to the working poor are also responsible for the decline. Many of the mothers who gained ground after leaving welfare can probably thank the latter two factors for their improved situation, and many of those who lost ground probably left assistance because of welfare reform and the added hassle associated with it.

What about those mothers who are now working but not making much more than their previous welfare benefits, or those who are now relying on the support of others rather than on welfare? Robert Haveman, an economics professor at the University of Wisconsin-Madison, says that these mothers are "treading water, but staying afloat."[62]

For most Americans, welfare reform was not just about reducing the rolls; nor was it some silver bullet that would immediately eradicate poverty. Instead, it was about reducing the deep-seated social and personal dysfunctions associated with long-term dependency, thereby ultimately reducing poverty. The success of welfare reform on this measure will depend on whether the low-paying jobs taken by many leavers lead to better jobs, whether the household arrangements (and other sources of support) that have allowed mothers to leave welfare without working prove supportive and nurturing, and whether the eventual

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Church, Va.: Center for Public Administration and Policy at the Virginia Polytechnic Institute and State University, November 1999); DSHS Economic Services Administration, Division of Program Research and Evaluation, *Washington's TANF Single Parent Families after Welfare: Management Reports and Data Analysis* (January 1999); State of Wisconsin, Department of Workforce Development, 1998; and Rebecca Swartz, et al.

[61]The states were New Mexico, Virginia, and Washington.

[62]Robert Haveman,"What Happens When People Leave Welfare?" paper presented at the American Enterprise Institute/Brookings seminar on welfare reform, July 16, 1999.

result is less dysfunctional behavior among parents and better outcomes for children. We may need a generation to find out.

In the meantime, real challenges to welfare reform are looming. The easy, early reduction in welfare rolls not only has lulled policymakers and the public into complacency but also has obscured what still needs to be done to complete the task of welfare reform. As we have seen, only part of the caseload decline can be attributed to welfare reform. No one knows what the full impact of the current economic downturn will be. Moreover, the single mothers who have already left welfare are predominantly those with the best earning potential—or those with the best sources of the outside support. The single mothers who currently remain on welfare do not have nearly the same choices (or opportunities). Many will require increased public and private assistance to leave welfare—and many will be unable to do so.

For the latter, some kind of long-term support will undoubtedly be needed, and yet these are the very families against whom the federal time limit on benefits will fall most heavily. And for them, it seems clear that new approaches that deal with personal problems and weaknesses will be required. Government-run programs are unlikely to provide the mix of support, discipline, and inspiration that is needed, and it is here that we expect welfare agencies to turn increasingly to the agents of civil society, including faith-based programs.

Little work is being done to prepare for either of these eventualities. And yet, mishandled, either one could undermine continued public support for work-oriented welfare policies. Making the needed adjustments will require ingenuity, resources, and time to build experience and political support. But the process cannot begin without policymakers being clear-minded about what welfare reform has and has not accomplished thus far.

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Comments

*Sheldon Danziger**

My comments focus on two issues: (1) the extent to which the rapid caseload declines after 1994 are a result of welfare reform, changing economic conditions, other policy changes, or some combination of these factors, and (2) the prevalence of a variety of labor market, health, mental health, and other barriers in the welfare population and the extent to which those barriers affect work outcomes.

I recently edited a book that includes a set of papers presented at a conference sponsored by the U.S. Department of Health and Human Services in late 1998.[1] The book contains a number of econometric studies that try to determine how much of the caseload decline results from favorable economic conditions, how much is from welfare reform, and how much stems from other factors. Although analysts disagree about the exact size of the effects, all agree that both economic conditions and welfare reform play a major role.

My own reading of the papers is that the econometric models are relatively sensitive to alternative specifications, making it difficult to precisely attribute a specific percentage of the caseload decline to any given factor. Nonetheless, it is highly unlikely that caseloads would have fallen so much had both factors not been operating in the same direction; that is, the combination of a booming economy and aggressive state policies produced a larger caseload decline than would have been the case had the policies been implemented during a recession or had we experienced an economic boom without welfare reform.

Some states may have reduced caseloads through policy changes that are totally independent of the economy. Real caseload change can happen overnight if a state declares a pure rule change. For example, a state might require all recipients to come to a welfare office to submit a new application. In this case, some people may not get the notice, others may not understand the notice, and others might decide that they were about to leave welfare in any case. But, even the extent of caseload decline from that rule change is likely to be affected by economic conditions because the economy affects the likelihood that recipients who are

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[1]Sheldon Danziger, editor, *Economic Conditions and Welfare Reform* (Kalamazoo, Mich.: Upjohn Institute Press, 1999).

terminated for a pure rule change will get a job. This is where the interaction is important: Terminating a recipient increases the probability that she is going to look for work, but the state of the economy plays a strong role in whether or not her job search will be successful.

There has been much discussion of the "sticks" of welfare reform—time limits and diversion sanctions—but there has been less discussion of the "carrots." The economic disincentives of welfare, particularly the high benefit-reduction rate on earned income, have been a central feature of welfare reform policy discussions since the mid-1960s. But since the onset of waivers and continuing through welfare reform, many states have liberalized their treatment of earnings. In Michigan, for example, recipients can now keep their first $200 of earnings each month and 20 percent of earnings above that amount. Consequently, a recipient with two children can combine work and welfare as long as her monthly earnings are less than $800. In addition, the Earned Income Tax Credit (EITC) has been greatly expanded, so that a single mother with two children working full-time, full-year, at the minimum wage can receive an EITC averaging about $300 per month, more than the welfare benefit in many states.

Again, a positive interaction exists between the increased work incentives and the probability of caseload decline. If a state has increased the amount of money that a welfare recipient can keep, the recipient is more likely to take a part-time job; a strong economy increases the likelihood that a recipient who starts at a part-time job will be able to move to a full-time job.

Another case in which welfare reform and the economy interact is the classic example of someone who could have gotten a low-wage job under the pre-1996 welfare system but who chose not to take it either because of the work disincentives of that system or because she preferred to stay on welfare and care for her children. These cases generated the most controversy before 1996.[2] Staying on welfare by choice is now hard, if not impossible—if recipients do not make a good-faith effort to search for work or if they turn down available jobs, they are likely to face sanctions in most states. Welfare reform is pushing such people into the labor market; again, the fact that the labor market is so good will increase their probability of getting a job.

We will not have a good opportunity to measure the independent effect of economic conditions on welfare caseloads until the economy slips into a severe recession. If the states do not change their rules, then we will see how an economic change affects caseloads. Of course, we may never get this test. States are likely to change their welfare rules during a

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[2]See, for example, Lawrence Mead, *The New Politics of Poverty* (New York: Basic Books, 1992) and Mickey Kaus, *The End of Equality* (New York: Basic Books, 1992).

recession, granting more exemptions, lessening diversion efforts, and so forth—in which case we would again have both factors operating in the same direction.

In sum, we should be satisfied with our good fortune to date: Welfare reform has pushed increasing numbers of welfare recipients into an economy that has been increasingly able to absorb them.

The second issue relates to barriers to employment among welfare recipients, how those barriers affect who stays on welfare and who leaves, and how stayers and leavers are faring. Early results are available for the Women's Employment Study, which my colleagues at the University of Michigan and I are conducting. It is a panel study of about 700 low-income mothers who were recipients of cash welfare in February 1997 in an urban county. We currently have analyzed data from the first two waves; response rates were 86 percent in Wave 1 in fall 1997 and 92 percent in Wave 2 in fall 1998. A third wave, fielded in fall 1999, has a 91 percent response rate. Trained interviewers conducted in-person, in-home interviews that averaged about one hour for each of the first two waves. Several papers describing the study design, including the survey instruments for all three waves, are available on our Web site.[3]

Several findings of our study are relevant to the issues raised in Douglas Besharov's opening statement. First, we have information on whether or not the study participants, all of whom were welfare recipients in February 1997, were working in each of the subsequent twenty months. We found that in a typical month between fall 1997 and fall 1998, 60 to 70 percent of respondents were working. The good news for proponents of welfare reform is that the rate was as low as 40 percent when we drew the sample (that is, work effort two years after welfare reform's implementation was about 25 percentage points higher than that right after its passage). The bad news for people who think that welfare reform and a good economy are sufficient to foster self-sufficiency is that the rate ranged between 60 and 70 percent in each month, meaning that at least 30 percent of respondents were not working in a given month. Second, many of the single mothers who were stayers have barriers that make it difficult for them to get jobs, even when the economy is good. The first column in table 1

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[3]See, for example, (1) Sandra Danziger, Mary Corcoran, Sheldon Danziger, Colleen Heflin, Ariel Kalil, Judith Levine, Daniel Rosen, Kristin Seefeldt, Kristine Siefert, and Richard Tolman, *Barriers to the Employment of Welfare Mothers*, University of Michigan, revised February 2000; (2) Sandra Danziger, Mary Corcoran, Sheldon Danziger, and Colleen M. Heflin, *Work, Income, and Material Hardship After Welfare Reform* , October 1999, revised January 2000; (3) Sheldon Danziger, Colleen M. Heflin, Mary E. Corcoran, Elizabeth Oltmans, *Does it Pay to Move from Welfare to Work?* University of Michigan, revised August 2001. All are available from: www.ssw.umich.edu/poverty/pubs.html, accessed December 28, 2001.

Table 1. Prevalence of Employment Barriers

Barriers	% in Sample with Barrier (1)	% Women Nationally with Barrier (2)	% in Sample Working 20+ Hours/ Week: With Barriers (3)	Without Barriers (4)
Less than a high school education	31.4	12.7[a]	38.7**	66.3
Low work experience	15.4		33.3**	62.3
Fewer than 4 job skills	21.1		34.2**	64.0
Knows 5 or fewer work norms	9.1		56.7	57.8
Perceived discrimination	13.9		46.7**	59.5
Transportation problem	47.1	7.6[b]	44.8**	69.2
Major depressive disorder	25.4	12.9[c]	47.9**	61.0
PTSD	14.6		55.0	58.1
Generalized anxiety disorder	7.3	4.3[c]	54.5	57.9
Alcohol dependence	2.7	3.7[c]	70.0	57.3
Drug dependence	3.3	1.9[c]	40.0*	58.3
Mother's health problems	19.4		39.0**	62.2
Child health problem	22.1	15.7[d]	48.5**	60.6
Domestic violence	14.9	3.2-3.4[e]	55.4	58.1

*Difference between columns 3 and 5 is significant at the .10 level.
**Difference between columns 3 and 4 is significant at the .05 level.
[a]1998 Current Population Survey: % of all women ages 18-54 who do not have a high school diploma or equivalent.
[b]1990 Census: % of all women ages 18-54 who live in households with no vehicles available.
[c]1994 National Co-morbidity Survey: % of all women ages 15-54 who meet criteria for clinical caseness on each of these disorders.
[d]1994 National Longitudinal Survey of Youth: % of all mothers ages 29-37 with children who have one of six limitations.
[e]1993 Commonwealth Fund Survey and 1985 National Family Violence Survey: % of all women ages 18 and over who report current severe physical abuse.

Source: Sandra Danziger et al., *Barriers to the Employment of Welfare Recipients*, available from: www.ssw.umich.edu/poverty/pubs.html , accessed December 28, 2001.

lists the extent of fourteen potential barriers to employment that we measured in our sample in fall 1997. Column 2 lists the national prevalence rate for variables measured both in our survey and in national surveys. For most of the barriers, prevalence rates in our sample are substantially higher than those in national samples. For example, 31.4 percent of welfare mothers in our sample had not completed high school, compared with 12.7 percent of women in the nation. Labor market skill deficiencies are common: 15.4 percent of our sample had limited work experience, and 21.4 percent had previously performed fewer than four of nine job skills that we asked about. Many have difficulty getting to jobs: 47. 1 percent lack a car, driver's license, or both.

Mental health problems are also quite common. About one-quarter of respondents met the diagnostic criteria during the previous twelve months for major depression, almost twice the rate as a national sample. About 15 percent met the criteria for post-traumatic stress disorder, and about 15 percent had experienced severe domestic violence within the year before the survey.

Figure 1 illustrates the probability that a respondent was working at least twenty hours per week in fall 1997. (The estimates are derived from a regression model that includes several demographic characteristics in addition to the number of barriers for each respondent.) Work declines precipitously with the number of barriers. If a respondent has none of the barriers we measured, then a "work first" approach to welfare reform, given that the economy is booming, is an effective policy. Eighty-two percent of our respondents who have no barriers were working at least twenty hours per week. The typical respondent has two to three barriers, a circumstance associated with a 62 percent chance of working. The good news is that a very small percentage of our sample has seven or more barriers; for this group, the predicted probability of working is only 5.3 percent. The bad news is that about a quarter of the sample has four to six barriers, a circumstance associated with only a 40 percent probability of work.

The key policy lesson to be taken from these results is that the success of state welfare-to-work programs will depend on their ability to provide the services recipients need in order to overcome the barriers to working. In our sample, for example, if a respondent with four to six barriers can reduce them to two to three, her probability of working would increase by more than 20 percentage points. Overcoming some barriers may be much easier than overcoming others, however. For example, it is easier to provide a "hard service," like subsidizing the purchase of a car, than it is to resolve major health or mental health problems, which require effective services for identifying and treating the problems.

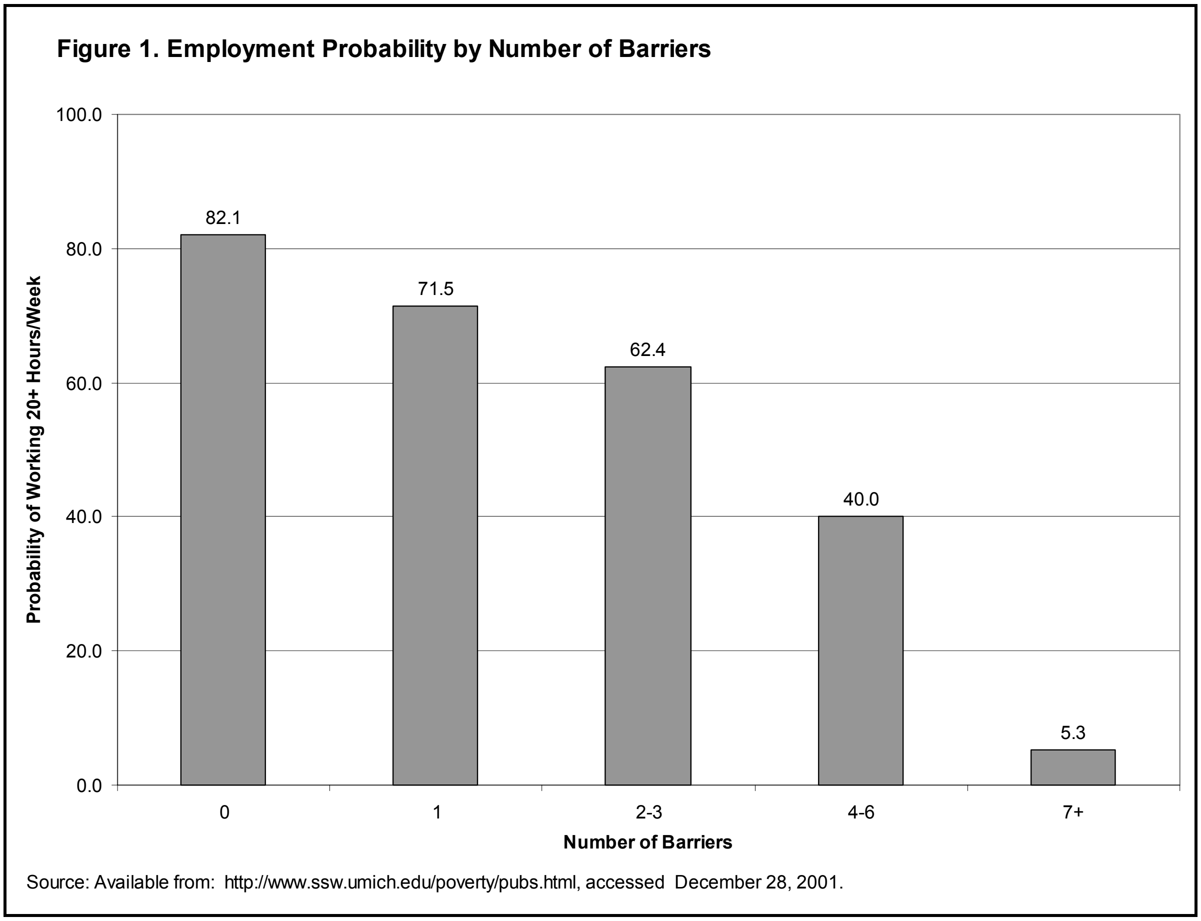

Table 2 presents regression estimates of the percentage-point effects of specific barriers. The last column, for example, shows that difference between the predicted probability that a high school dropout works and the predicted probability that a high school graduate works is 12.4 percentage points, after controlling for a number of demographic attributes. A woman who meets the diagnostic criteria for depression is 8.5 percentage points less likely to work than one who does not meet the criteria. Each barrier has a significant and sizeable effect on work.

Third, we turn to data from the second wave of the survey (fall 1998). In table 3, we classify respondents by the percentage of months they worked between February 1997 and fall 1998 and show the poverty rate, mean monthly own earnings, and mean monthly household income from all sources (which includes partners, boyfriends, and a simulated EITC). During this period of about twenty months, roughly half of the sample worked in two-thirds of the months or more, with about one-fifth working in each month. The good news is that the respondents are faring better economically than are those who are working only some of the time (37 percent of the sample) and are faring much better than those who did not work in any month (9.7 percent of the sample). The bad news is that the poverty rate, based on monthly income and even with the addition of the EITC, is still about 40 percent for those who are working most or all of the time. The poverty rates are 60 or 80 percent, however, for those who are working only some of the time or who did not work at all between February 1997 and fall 1998.

Table 2. Relative Effects of Individual Barriers on Whether a Woman Works 20 or More Hours per Week

Barriers	Prevalence (%)	Predicted Probability of Working 20+ Hours[a]	Difference in Probability with and without Barrier
None	15.4	81.9	--
Less than a high school education	31.4	69.6	12.4
Fewer than 4 job skills	21.1	68.9	13.0
Perceived discrimination	13.9	64.5	17.4
Transportation problem	47.1	69.6	12.4
Major depressive disorder	25.4	73.5	8.5
Drug dependence	3.3	61.7	20.2
Mother's health problem	19.4	70.0	12.0

[a]Given that respondent is single, black, lives in an urban census tract, is 25 to 34 years old, has one child age 0-2, no children ages 3-5, and has received welfare for seven years. Predicted probabilities are based on the coefficients in Model II or Table 6 (see source).

Source: Sheldon Danziger, et al., *Barriers to the Employment of Welfare Recipients,* available from: www.ssw.umich.edu/poverty/publs.html, accessed December 26, 2001.

Table 4 shows that many respondents experienced a range of material hardships in the year prior to the second interview, even if they worked most of the time. As is the case with poverty rates, however, women who work most or all of the time experienced fewer incidences of homelessness, evictions, or utility shutoffs compared with those who worked little or not at all. The major exception is medical insurance: Twenty percent of the women who work in every month have no medical insurance. Utilization of the State Children's Health Insurance Program partially explains why the percentage of their children who lack health insurance is smaller—10 percent.

Table 3. Monthly Household Income, Respondents' Earnings, and Poverty Status by Work Involvement February 1997 to Wave 2 (Fall 1998)

	Percentage of Months Worked (*N* = 692)			
	None	**Some (1–64%)**	**Most (65–99%)**	**All (100%)**
Percent of sample	9.7	37.0	31.6	21.7
Number of respondents	67	256	219	150
Mean monthly household income from all sources[a]	$1,036	$1,345	$1,715	$1,480
Mean own monthly earnings[b]	$0	$409	$788	$862
Poverty rate[a] (%)	85.1	61.3	38.8	36.9

Note: All income and earnings data are measured in the month prior to the fall 1998 interview (Wave 2). The work involvement categories were chosen to distinguish between those with above- and below-average work experience. For our sample, the mean percentage of months worked is 59.7, and the median is 66.7.
[a]Based on total household income from all sources last month, including food stamps and EITC.
[b]For all women, including those reporting no earnings in the month prior to the interview.

Source: Sandra Danziger et al. *Work, Income and Material Hardship After Welfare Reform,* available from:. http://www.ssw.umich.edu/poverty/pubs.html, accessed December 28, 2001.

Our study reflects the experience of welfare recipients in Michigan, which has taken a different approach to welfare reform from that of other states. It offers higher-than-average benefits, a more generous earned income disregard, and no time limit, so many recipients are simultaneously working and receiving small amounts of welfare. Staying on cash assistance also increases the likelihood that women will continue to receive food stamps as well as Medicaid and subsidized child care. I suspect that a recipient in another state with a time limit, whose earnings leave her with a potential monthly payment of $50, is more likely to leave the rolls than is a similar recipient in Michigan. Thus, our respondents who are working in some of the months and are continuing to get welfare are better off in Michigan than they would be in other states. In many states, those recipients would be working and off welfare and might be faring worse than they were as welfare recipients.

Finally, I should mention a small group of respondents who appear to be "falling through the cracks." They can be described as "not working and not receiving cash welfare." These women are also not receiving SSI and not living with husbands or partners and have the highest levels of material hardship. This group—about 7 percent of the sample—brings to mind Senator Moynihan's worry that welfare reform would lead us to a situation in which "children will be sleeping on grates."

Table 4. Percentage of Respondents Experiencing Material Hardship, by Work Involvement

	Percentage of Months Worked (*N* = 692)			
	None	**Some (1–64%)**	**Most (65–99%)**	**All (100%)**
Food insufficiency	31.0%	28.0%	19.0%	16.0%
No health insurance (mother)	7.5	16.4	15.1	20.0
Mother did not receive needed medical care	9.0	7.0	3.7	4.0
No health insurance (child)	7.5	10.6	9.6	9.3
Child did not receive needed medical care	1.5	2.7	1.4	1.3
Utilities cut off	10.0	15.0	9.1	5.4
Eviction	12.0	11.0	5.0	4.7
Homeless	4.5	5.4	5.9	0.7
No phone	31.8	30.9	17.0	8.7
Including medical insurance				
No hardships	31.3	34.0	49.8	60.0
One hardship	37.3	27.0	29.7	20.7
Two or more hardships	31.3	39.1	20.6	19.3
Excluding medical insurance				
No hardships	38.8	41.0	60.3	72.0
One hardships	34.3	30.9	26.5	19.3
Two or more hardships	26.9	28.1	13.2	8.7

Note: Hardships are measured over the 12 months prior to the fall 1998 interview; missing values range from 0 to 2 women per item.
Source: Sandra Danziger et al., *Work, Income and Material Hardship after Welfare Reform,* available from: http://www.ssw.umich.edu/poverty/pubs.html, accessed December 28, 2001.

This last category, people who have left welfare and seem to have no regular source of income, as well as recipients who left for work, could be found among "welfare leavers" before welfare reform. Our study, however, is not designed to compare exit rates or post-welfare well-being before and after welfare reform. Rather, we have gathered detailed information on the characteristics of a panel of women, all of whom received cash welfare in February 1997, and we are continuing to track their changes in well-being and the extent of their barriers to employment.

To sum up, both the robust economy and welfare reform policies have contributed to the declining welfare caseloads and to the patterns of post-welfare-reform financial well-being reviewed here. The historical record from the 1960s to the early 1990s tells us that a robust economy with low unemployment is necessary, but not sufficient, to draw people out of the welfare system into employment to the extent observed in the past five years. In my view, the current situation could have emerged only from the simultaneous nature of the economic recovery and aggressive welfare reform. The necessary and sufficient conditions are in place to reduce caseloads. But if we are to reduce poverty among those who have left welfare and if we are to get the most disadvantaged welfare recipients into the labor market, we need additional policies "to make work pay" for those who are working. We must provide other options, including mental health treatment, access to other social services, and some "work for your welfare" community service employment of last resort for those whose barriers make it unlikely that they will be able to find and keep jobs.

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Comments

*Robert Lerman**

Why is this labor market so good? After all, we have tried to run the market in earlier periods. In 1989, unemployment came down to about 5.25 percent. Inflation started picking up. Somehow, we were able to do it this time, and we were able to absorb perhaps a million low-skill welfare recipients into jobs when people said that there was no longer any demand for unskilled people.

Normally, in this stage of the business cycle, the rising demand for skill would cause a bidding-up of the wages of the more skilled group. The less skilled people would be drawn in, but they have lower productivity. The costs would go up, and we would have an inflationary spiral.

A look at the trends in unemployment rates, categorized by educational groups of adults age twenty-five and older (see figure 1), shows that unemployment was very low by 1995 or 1996, and people with a BA or higher degree essentially were fully employed. Somehow, we also were able to bring down rates of unemployment for high school dropouts; their rate is now just around 6 percent, and the rate for high school graduates is now under 4 percent.

How did this happen? How did we absorb a million low-skill welfare recipients? Why did they not flood the market? Why wasn't Peter Edelman right when he wrote that the economy would supply far too few jobs?

One reason is that we were lucky because of a demographic phenomenon: The older group of people leaving the labor force and dying off were people who had much less education than the entering cohort. Looking at the total employment change among adults (figure 2), all the net change between 1992 and 1999 is among people with at least some college education. The number of newly employed high school graduates and dropouts is only enough to offset the high school dropouts and graduates who are leaving the market, even though we have had an increase of 13 million adult workers. This demographic phenomenon has been such that employers are adding workers by absorbing more highly educated people. That is why they have been able to hire all the lower-skilled people and still pay rising wages to these workers.

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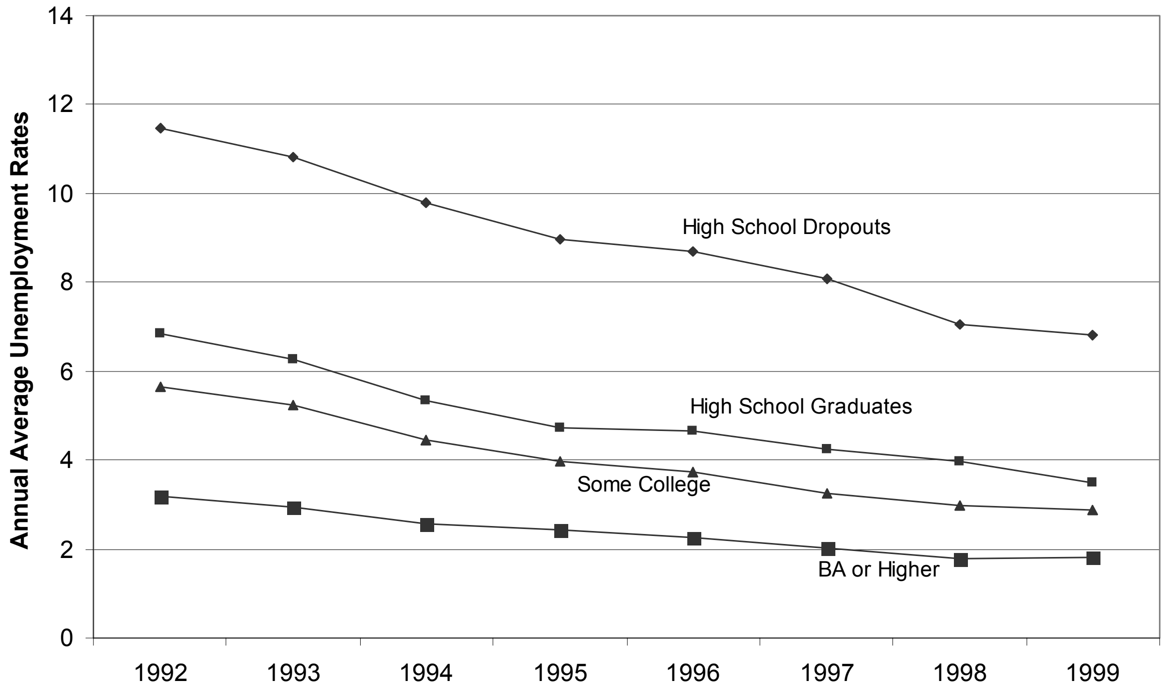
Figure 1. Trend in Unemployment Rates of Adult Workers by Educational Attainment, 1992-1999

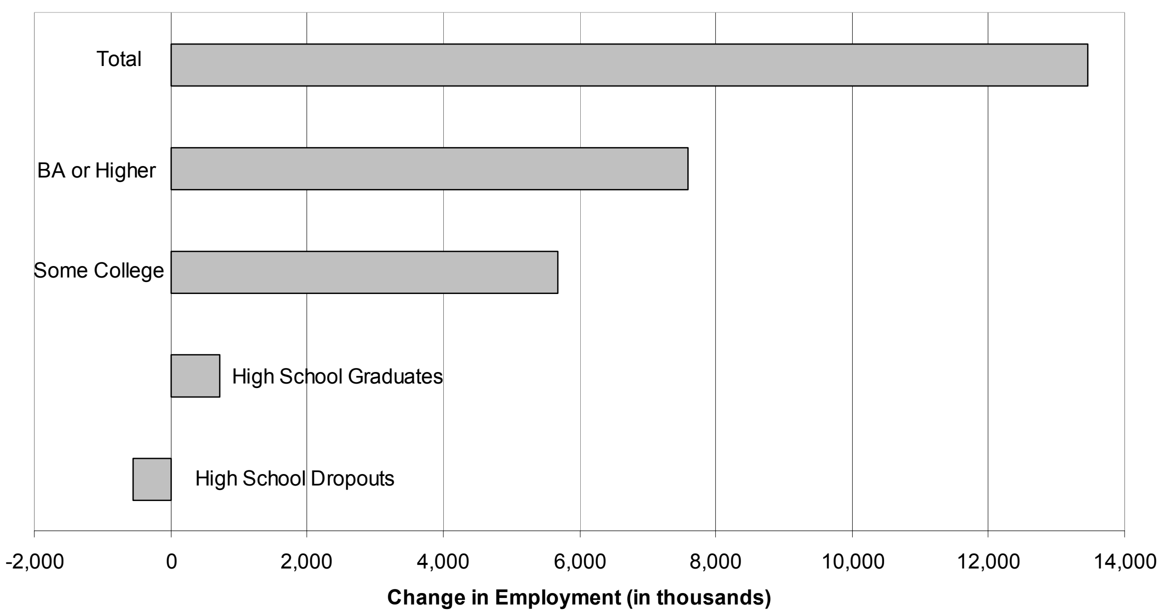


Source: Tabulations from Bureau of Labor Statistics Data (www.bls.gov).

My other empirical point has to do with women versus men (see figures 3 and 4). The data allow me to get information by race quickly, though I would have preferred breaks by income. Data for black women show what we all have marveled at, namely, large increases between 1992 and 1999 in the proportion of the population that is working. Even among young women, a huge increase has occurred, from about 46 percent to about 57 percent, and among the older groups as well.

Black men also show considerable improvement on a cyclical basis, but not new highs, as we found with the women. The one troubling phenomenon is declining employment of black men in their early twenties. The employed share of this population (the employment–population ratio) was more than 70 percent in the early 1970s, but today only 58 percent hold jobs. Some of the decline relates to increased schooling, but most of it does not. The current 58 percent employment–population ratio is especially troubling because jobholding actually declined slightly, even as the aggregate unemployment rate declined sharply from about 6 to 4 percent. At the same time, the employed share of older groups of black men increased and is now about 84 percent. This rate, however, is still below the old highs that we saw in the 1970s, whereas for women, the share holding jobs is reaching a new high. Meanwhile, because the demographic phenomenon leading to low supplies of less skilled workers may not last too long, we had better make sure that we improve job opportunities now and make sure that people are increasing their skills for the future.

Figure 2. Employment Change of Adult Workers by Educational Attainment, 1992-1999



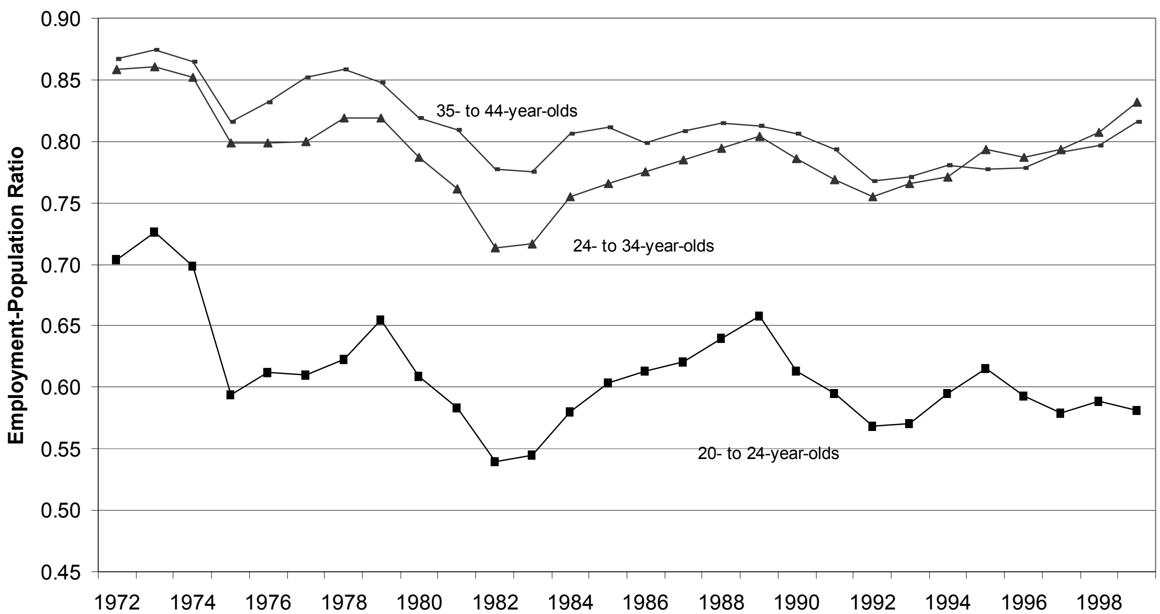
Source: Tabulations from Bureau of Labor Statistics Data (www.bls.gov).

The impact of welfare is an interesting intellectual question, but it may not be the key policy question. The policy question is, Where are we going to go from here?

The new system has generated a dichotomy. On one hand, a lot more people are working and are better off, and at least on the books, many supplementary programs exist to bring them up to at least within range of the poverty line. Ten years ago that would have been considered a tremendous accomplishment. On the other hand, we have people with lots of barriers to working. It used to be that we lumped the two groups together. We all knew that there was heterogeneity, but public policy treated everyone in this group similarly.

With this shift and the increase in low-income workers, we should pay more attention to moving away from the basic-support concept for this group, which says to welfare recipients, “You basically can’t earn anything on your own, and the government is going to support you at some minimum level.”

Figure 3. Employment-Population Ratios of Black Men, Ages 20-24, 25-34, and 35-44, 1972-1999

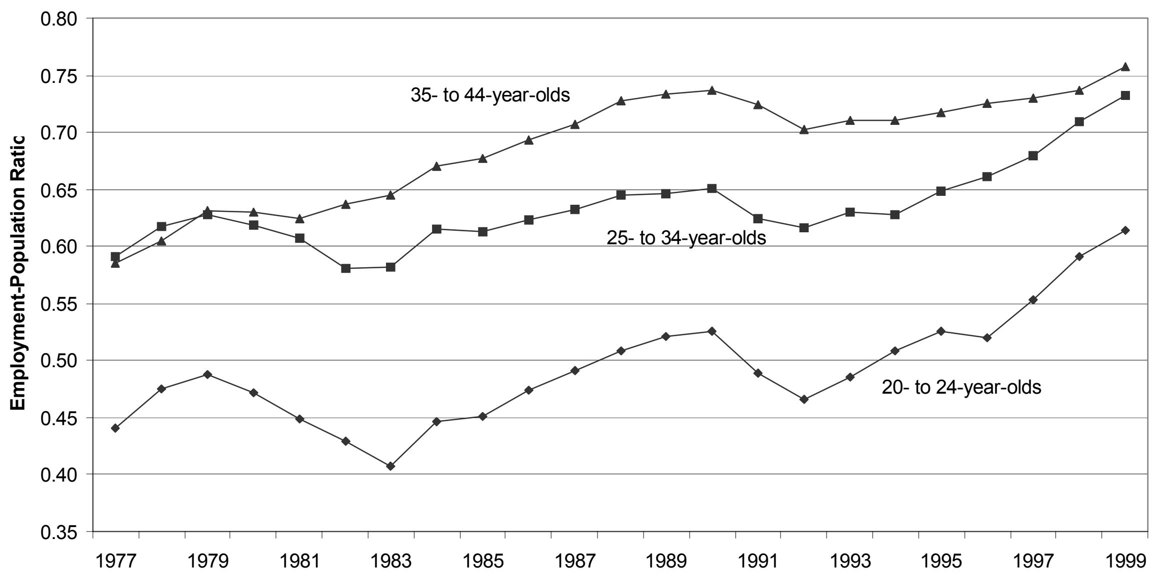


Source: Tabulations from Bureau of Labor Statistics Data (www.bls.gov).

How do we know whether people can do anything on their own? We make sure they have no assets, look at what they earned two months ago, and check to see that they meet various other criteria. And we have a program that provides what is essentially basic support. But we do not have enough sensible supplementary programs like the Earned Income Tax Credit (EITC), a program with no asset test that is embedded in the broader tax system.

What we should ask is, How can we best construct a supplementary system, and how can we best align it with the main welfare system? Consider food stamps: Do we want low-income working people around the poverty line to have food stamps or not? We would like their income to be supplemented, but once they are back on food stamps, they are in a system with asset tests, short accounting periods, and everything else that is characteristic of basic-support programs. Do we want them on Medicaid, a program that is so much of a basic-support program that asks recipients to not pay anything until a certain cutoff point, and then to bring down their assets to get back in?

Figure 4. Employment-Population Ratios of Black Women, Ages 20-24, 25-34, and 35-44, 1977-99



Source: Tabulations from Bureau of Labor Statistics Data (www.bls.gov).

It seems to me that we are not thinking enough about how to develop alternative supplementary schemes to deal with the new reality, which is that a big chunk of the former welfare caseload consists of people at or near the poverty line. They may receive the EITC, but we are not doing a good enough job of giving them access to payments on a monthly or quarterly basis. Maybe instead of food stamps, we ought to have some sort of quarterly cash payment.

Those are the kinds of questions we should be asking. For people who are "hard to serve," the focus ought to be on developing temporary disability programs, job-creation programs, last-resort employment, and sheltered employment, among other efforts. This is not an original idea.

Again, the emphasis should be on rethinking the policy issues of the future. As noted in the graphs, while employment of minority and low-income women is reaching new highs, the labor market position of young minority men has deteriorated. Thus, in addition to modernizing the supplementary system, we must undertake more sensible efforts to help low-income men, especially current and future fathers.