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A graphic consisting of a fan of many overlapping rectangular papers, all radiating from a single central point. The papers are arranged in a semi-circular arc. In the center of the fan, there is a white rectangular box containing text.

Michael Wiseman

THE NEW STATE WELFARE
INITIATIVES

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The New State Welfare Initiatives

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Abstract

During 1992 the Bush administration encouraged states to experiment with innovations in the operation of the Aid to Families with Dependent Children program. State demonstration programs were facilitated by quick approval of requests for the waiver of portions of the Social Security Act and related regulations when the innovations required such latitude. By the end of the administration's tenure in 1993, waivers had been approved or extended for new demonstrations in eleven states. This paper evaluates Bush waiver policy and reviews the demonstrations approved, with emphasis on programs in California, New Jersey, and Wisconsin. It is argued that the set of criteria applied in evaluating proposals was incomplete and that flaws in many of the demonstrations make it unlikely that much will be learned from their implementation. The most important missing element in the Bush policy was a vision of the role of state welfare demonstrations in the process of improving national transfer policy; early evidence suggests that such a vision is missing from the policy of the Clinton administration as well.

The New State Welfare Initiatives

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The New State Welfare Initiatives

Michael Wiseman*

Promoting Waivers for Welfare Innovation

In his January 1992 State of the Union Address, President Bush encouraged states to continue a movement to "replace the assumptions of the welfare state and help reform the welfare system." "We are going to help this movement," he said. "Often, state reform requires waiving certain federal regulations. I will act to make that process easier and quicker for every state that asks for our help."¹

The president's message served as catalyst in a number of states for initiation or accelerated development of proposals for substantial alteration in operation of the Aid to Families with Dependent Children (AFDC) program. By the end of his administration in January 1993, waivers had been approved or extended for new demonstrations in eleven states. The result is a major change in the landscape of welfare reform.

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¹New York Times, January 29, 1992, p. A17.

These waivers and the demonstrations they permit are interesting from historical, political, and policy perspectives. Historically, state initiatives have provided major impetus for AFDC program alterations eventually implemented nationwide.² For the new administration, the waivers present a serious political challenge. President Clinton campaigned for office upon his record in welfare innovation in Arkansas, a record founded in part upon waiver-based demonstrations (Friedlander et al., 1985). But waiver-based demonstrations generally involve multi-year projects, and there is no reason to believe that the programs proposed by states with the encouragement of the Bush administration in 1992 will necessarily be consistent with reform strategies adopted by the Clinton administration. The waivers, in other words, prevent an early cleaning of the slate, and any welfare reforms proposed by the new administration will seem to compete with the ongoing reforms set in motion by the old. The new round of initiatives should therefore be given careful attention as portents of things possibly to come, or at least as models to which alternative reform proposals are likely to be compared.

Beyond history and politics, the new waivers raise two types of policy issues. One concerns the potential of the individual state initiatives as sources of information useful for national policy-making. A second and transcendent issue concerns waiver policy itself: How can the institution of waivers be improved? These policy issues are the topic of this paper. I question the likely contribution of the current round of innovation to improving the nation's system of assistance for the poor. I argue that the standards applied in 1992 in evaluating waiver applications were incomplete, that the 1992 proposals are in many instances and aspects seriously flawed, and that the evaluation plans offer little prospect of adding to our understanding of the social and fiscal consequences of altering the welfare system. I suggest that without national leadership, a sort of Gresham's law of demonstrations will operate in which the political imperative of replacing "the assumptions of the welfare state" will

²For example, the system alterations implemented by the Reagan administration in the early 1980s reflected provisions of the California Welfare Reform Act of a decade earlier; state welfare-to-work initiatives encouraged by the Reagan reforms had significant consequences for the character of the Family Support Act of 1988. See Wiseman (1991).

diminish the prospects for productive research on welfare-related issues. While the particular strategy pursued by the Bush administration to the end of its term was clearly influenced by political considerations, the issue of what waiver policy should be will again arise regardless of who is in the White House.³

I begin with a short review of the procedures whereby states gain federal approval to undertake initiatives (the process to which President Bush referred) and an examination of the merits and shortcomings of recent waiver policy. I next provide an overview of initiatives already in operation at the beginning of 1992 to provide a context for the new wave. I then turn to the initiatives proposed in 1992, with emphasis on the programs in Wisconsin, New Jersey, and California. Finally, I summarize the lessons to be drawn from these initiatives.

The Role of the Waiver in Welfare Reform

States pay almost half of the total transfer and administrative costs of AFDC, and in return the Social Security Act grants them some latitude in program operation. Most notably, states determine the level of cash benefits paid, and they also have some leeway in the selection of general standards of eligibility and the range of services provided in welfare-related "in-kind" programs such as Medicaid. This latitude has long been criticized by those concerned about interstate equity in treatment of the poor and about the consequences for migration of substantial state-to-state variation in benefits (Peterson and Rom, 1990). Although interstate variation in benefits is still substantial, over the past twenty years most other features of program operation have converged. A major step in this direction was accomplished in 1988, when the Family Support Act mandated that all states provide AFDC assistance for poor two-parent families with children when the "principal earner" is unemployed (AFDC-UP).

³In the news conference following announcement of the nomination of the Chancellor of the University of Wisconsin-Madison, Dr. Donna E. Shalala, to be Secretary of the U.S. Department of Health and Human Services, one of the first questions posed involved the administration's waivers policy.

In addition to the latitude in structuring the state's AFDC plan that is granted directly by statute, section 1115(a) of the Social Security Act includes provision for "waiver" of elements of the law for "any experimental, pilot, or demonstration project which, in the judgment of the Secretary [of the U.S. Department of Health and Human Services], is likely to assist in promoting the objectives of" the AFDC program. Section 1115(a)(1) covers rules and permits the secretary to allow states to deviate in administration of their welfare systems from eligibility and operations standards established by the Social Security Act. Section 1115(a)(2) covers reimbursement for the federal share of expenses incurred in the operation of approved projects that would not otherwise be eligible for federal subsidy. The standards for determining just what promotes the objectives of the AFDC program are left up to the secretary and thus reflect, among other things, administration policy regarding the direction of welfare reform. It is the process of obtaining these "waivers" to which President Bush referred in his address.

The Department of Health and Human Services (DHHS) can encourage or initiate demonstrations itself, and experimental projects are often undertaken under congressional mandate. But it was the policy of both the Reagan and Bush administrations to place responsibility for innovation with the states and to give them broad latitude in doing the job.⁴ The administrative manifestation of this encouragement has been the development of interagency procedures and well-defined standards to facilitate quick response to state waiver requests. Coordinated interagency effort is important, because AFDC program structure and operation affect not only AFDC costs but also public access to and the costs of a number of other programs such as Medicaid and Food Stamps. Demonstration proposals typically involve the Administration for Children and Families in DHHS (AFDC oversight), the office of the Assistant Secretary for Planning and Evaluation in DHHS (evaluation), the Food and

⁴This strategy was first fully articulated by the Domestic Policy Council in response to a mandate made by President Reagan in his 1986 State of the Union Address. Among other things, the council recommended that the country "initiate a new federal-state-community partnership that fosters a climate of creative experimentation through state-sponsored, community-based demonstration projects." See Low Income Opportunity Working Group (1986, p. 57). For an authoritative review by insiders of waiver policy following President Reagan's message, see Fishman and Weinberg (1992).

Nutrition Service of the Department of Agriculture (food stamps), the Health Care Financing Administration in DHHS (Medicaid), and on occasion the Department of Housing and Urban Development (public housing). Despite the complications created by this interaction, the administration attempted in 1992 to act upon waiver requests within *four weeks* of receipt.

Principles Pursued in Evaluating Waivers—and Their Consequences

In evaluating the waiver applications, the Bush administration pursued two principles, both of which were specified in the President's budget.⁵ These are:

- The principle of *cost neutrality*: demonstrations should not increase federal costs.
- The principle of *rigorous evaluation*: demonstration proposals must include adequate provision for assessment of impact.

In both cases the particular interpretation applied by the Bush administration is important for the consequences of the policy.

Costs are defined to include combined federal costs for the program or programs immediately involved and related open-ended entitlements such as Medicaid.⁶ Cost neutrality is achieved when increases in federal outlays in some programs that are influenced by a demonstration are at least offset by savings in others. Such a standard raises an immediate administrative problem of just how costs and savings are to be assessed. But however costs are balanced against savings (and procedures for doing so in the current demonstrations are discussed later), waiver terms generally call for charging states for the full amount of overruns. Costs incurred for evaluation of demonstrations are not

⁵Executive Office of the President (1992, p. 418). Cost neutrality for state demonstrations was also part of the recommendations of the Low Income Opportunity Working Group (1986, p. 57).

⁶An "open-ended entitlement" is a program in which the federal commitment is to match according to the appropriate formula whatever costs the state incurs in operation of the program, as long as the rules are followed. Examples of expenditures not included in the calculation include those related to the Job Opportunities and Basic Skills Training Program (JOBS) and provision for child care assistance for children in families judged to be at risk of becoming welfare dependent.

included in the neutrality computations and are shared at the 50 percent rate applied to all AFDC administrative expenditures.

"Rigorous evaluation" has come in general to mean an evaluation of effects based upon an implementation plan that assigns some randomly selected subset of recipients affected by the innovation to a control group treated with the pre-experiment system (Fishman and Weinberg, 1992). Outcomes such as welfare receipt, employment, and childbearing for the "treatment" group participating in the new program are then compared with outcomes for families treated contemporaneously with the pre-reform program. The random assignment experimental design assures that, aside from differences attributable to chance, the units in the two groups will be on average the same with respect to demographic characteristics and external circumstances other than those varied for purposes of the experiment. As a result, differences in outcomes between the experimental and control groups are reasonably treated as products of the innovation.

Adherence to classical experimental design reflects at least to a modest extent the widespread belief that evaluations conducted using such methods accounted for much of the political impact of the outcomes of the state welfare demonstrations spawned by the Omnibus Budget Reconciliation Act of 1981 (OBRA).⁷ But from the perspective of many in the administering agencies, the emphasis placed on random assignment since 1986 is more the product of bad experience with waivers granted subject to alternative quasi- or nonexperimental evaluation procedures. Alternative techniques typically call for development of reference data ("quasi-controls") against which program impacts are to be measured. In practice, the evaluations produced by states--granted permission to evaluate outcomes

⁷Budget reconciliation bills are a common feature of the federal budgetary process. In this paper, as in much of the rest of the literature on welfare reform, the "OBRA" that counts most was passed in 1981. See Greenberg and Wiseman (1992a and 1992b) for an overview of the welfare-to-work demonstrations constructed by states from the "tool kit" that act provided. Erica Baum, who as assistant to Senator Daniel P. Moynihan drafted much of the Family Support Act of 1988, reports that use of random assignment made evaluations of the OBRA welfare-to-work demonstrations "not subject to challenge on methodological grounds" (Baum, 1991, p. 608). Ron Haskins, a Republican welfare expert on the staff of the Ways and Means Committee, calls random assignment "the *sine qua non*" of social science applied to policy evaluation (Haskins, 1991, p. 620). The Manpower Demonstration Research Corporation is a leading proponent of this methodology for evaluation of welfare-related service programs; a recent summary of the outcomes of various state welfare-to-work programs published by the firm considers only evaluations based on random-assignment designs (Gueron and Pauly, 1991).

using nonexperimental techniques--have been seriously, often fatally, flawed (Garasky and Barnow, 1992; Greenberg and Wiseman, 1992a and 1992b). Usually when the defects became clear, it was too late for correction, and sanctions for controls that proved too "quasi" have yet to be devised, let alone enforced. In contrast, random assignment is easily understood (if not always politically palatable), and it is possible to detect failures in implementation of a classical experimental design early in a project. Of course, all waiver projects do not require random assignment, since in some cases the issue being studied is inappropriate for it (in evaluation of the administrative feasibility of certain management innovations, for example) and in other circumstances it may be impossible. Nevertheless, the record clearly indicates that in 1992 attempts were made in virtually every case to require evaluation based upon random assignment as a condition for waiver application approval.

The emphasis on rigorous evaluation of *effects* is also important because of what it excludes. Welfare demonstrations involve both cause and effect. The administration's approach, which follows the OBRA tradition, was to emphasize assessment of outcomes, that is the impact of the intervention as measured by the treatment/control differential. What is de-emphasized by this approach is assessment of what the programs implemented actually did, that is the net effect of the interventions on the experience of clients of the system. Measurement of such effects is generally considered to be part of analysis of the demonstration process, but objectives and procedures for process analysis are not well established (Greenberg and Wiseman, 1992b). This deficiency makes replication of successful demonstrations very difficult, because in operation what actually goes on at the recipient level may differ substantially from what demonstration descriptions claim. The absence of measurement of input not only diminishes the utility of demonstrations for states interested in copying successful innovations. It also reduces the opportunity for assessing any differential effects of the demonstration on recipients with different characteristics, because without process analysis it is impossible to know whether observed differences in program effects among different client subgroups

are the result of variation in the effectiveness of the same services or variation among subgroups in services actually received.

Under the conventions that evolved in DHHS in the second Reagan administration and the Bush administration, the cost neutrality and rigorous evaluation principles interacted in an important way. Not only was random assignment treated as an essential element in impact evaluation, it was also used as the basis for evaluating cost neutrality. According to this standard, cost neutrality is established if, when measured over some prespecified time period, total federal cost for all transfer programs per family for the control group is greater than or equal to costs per family in the "treatment" group. When applied in this way, the cost-neutrality principle creates a number of bureaucratic incentives. One is that states are encouraged to be very careful in proposing demonstrations, since at least in theory the full amount of any overrun, as evaluated by control/experimental group comparison, will be charged to the innovating state. The principle also appears to discourage innovations that funnel money into long-term investments in education and training, because such activities frequently require early outlays for payoffs achieved, if ever, only after some time. In the interim, the project may not meet cost-neutrality standards if the horizon for such calculations is shorter than that over which effects are realized.⁸ The principle also encourages combining innovations in operations features with cuts in benefits, since one way to assure that federal costs will not increase (and that state costs will be reduced as well) is to reduce benefits concurrently. The incentives for conducting demonstrations are not the same for all states. The reason is simple: While all states pay the same share of administrative costs (\$.50 per dollar), states with low per capita income pay a smaller share of the costs of benefits than do states with higher income (the cost per dollar of benefits ranges from less than \$.25 per dollar for poor states and as much as \$.50 per dollar for rich ones). Under this circumstance, to be cost-effective from the perspective of a low-income state, a reform must produce

⁸Federal standards have become somewhat more generous in this respect over time. Under the terms and conditions applied to the round of waivers granted in 1987-88, cost neutrality was calculated on an annual basis, from the beginning of the project. More recent agreements have delayed initiation of the calculations and permitted some carryover of excess costs within the time period allotted for the project as a whole.

more benefit reduction per dollar of administration incurred in bringing it about than would be required for high-income states. The consequence may be that low-income states look at administrative reforms with less enthusiasm than do high-income states.

Finally, the interaction of the cost-neutrality and rigorous-evaluation principles focuses evaluation on the impact of the total program on the total caseload, since this best reveals cost effects, rather than allowing for assessment of process or concentration of evaluation efforts on particular subprograms or particular subgroups of participants that are the object of special national policy interest. This would not be a problem if the programs for which waivers are sought were simple and well defined. Unfortunately the political dynamic of welfare initiatives seems to push states in the direction of widely targeted "comprehensive" reforms with many facets.

The Missing Principle

There was no reference in the Bush State of the Union message or the budget to the congruence of proposed demonstrations with either some set of general national objectives for welfare reform or with a research agenda that has emerged from the sizable number of state demonstrations completed within the last decade or scheduled to end in the near future.⁹ At first impression, the absence of a specification of objectives in the Bush message appears to be a retreat from the policy of the Reagan administration as stated by the White House Low Income Opportunity Working Group (1986).¹⁰ The first recommendation of their report Up from Dependency is that "Any experimental alternative to the current public assistance program would have to be consistent with the policy goals outlined in this report" (p. 57). The Interagency Low-Income Opportunity Advisory Board established by President Reagan in July 1987 insisted as a first criterion for evaluation of state welfare reform demonstrations that they be consistent with the policy goals voiced in Up from Dependency. But a review of the Up from Dependency policy goals indicates that they are so general as to impose

⁹For discussions of the research agenda, see Greenberg and Wiseman (1992a and 1992b) and Gueron and Pauly (1991).

¹⁰See note 4 above.

little significant constraint on waiver options.¹¹ At no point were the general principles contained in Up from Dependency translated into an agenda sufficiently specific to be used as basis for a consistency standard for waiver evaluation.

Even were objectives and agenda clearcut, there appear to be few incentives for states to emphasize such consistency independently, especially since the benefits from doing so accrue primarily to the nation as a whole. Whatever the objectives are, once established, it is my opinion that a minimum consistency requirement would be that to gain national approval, a demonstration should do one of two things: (1) Address a program feature that in the light of the general objectives of welfare reform might reasonably be implemented on a larger scale, or (2) offer the prospect of determining something about agency or recipient behavior that would materially improve the design and implementation of future programs.

The original OBRA demonstrations were of the first type, since most dealt with specific program designs and attempted simply to demonstrate their administrative feasibility and cost-effectiveness. Demonstrations of the second type would place less emphasis on evaluation of the program implemented per se and more upon what the program revealed about client behavior or circumstances that would be pertinent to general program planning in the future. An example of a program of the second type would be an evaluation of the consequence of variation in the duration of guaranteed post-welfare medical assistance for the likelihood that families will leave public assistance by taking jobs.

In general it is easier to bring about program demonstrations, because what is being tested is what one is presumably likely to get if the program can be shown to "work." In contrast, programs undertaken to study behaviors produce information primarily to be invested in the design of programs

¹¹Up from Dependency goals included, inter alia, "to provide public assistance only to those in need and only to the extent of that need," and "to encourage the formation and maintenance of economically self-reliant families" (Low Income Opportunity Working Group, 1986, p. 52).

yet unseen.¹² The motivation for such endeavors is a larger picture--a vision. But if there is no larger context of motivation and support for state demonstrations and no sense of what does and does not fit in the "big picture," then it is likely that the agenda for reform will be driven solely by state political and fiscal considerations. The fiscal-neutrality principle underscores the budgetary aspect of this calculus. Again, it is vision that was so strikingly absent from the Bush program.

Initiatives under Way

The Bush administration did not begin 1992 with a clean waiver slate; much was already going on. DHHS reported approximately 30 waiver-based research and demonstration projects in effect in 18 states in fiscal year 1991 (the precise count is a matter of definition).¹³ The projects are summarized in some detail in Table 1. In this section I review this inventory of waiver-related projects-in-progress to establish perspective for looking at the Bush administration's waiver legacy. Given my argument that waiver-based projects must be considered in light of their consistency with national objectives, I lay out what I consider to be the essential elements of the current general consensus on welfare policy. I find that most projects do address program features consistent with this consensus, but the character of the projects illustrates important problems with a welfare reform strategy based exclusively on state demonstrations. Central to the consensus on welfare policy is the proposition that some of the major goals of most welfare reform efforts cannot be achieved solely from within the system. If this is true, then waiver-based state experiments of the type encouraged by the fiscal-neutrality principle are not sufficient to constitute a complete research agenda.

¹²The distinction being made here is related to the difference between what are called "black box" and what are called "response surface" studies. The issue is not whether or not we understand what specifically occurred in the context of a demonstration. It is whether the focus is upon evaluation of a single treatment or the variation in outcomes associated with variation in magnitude of some treatment characteristic. The negative income tax experiments of the 1960s and 1970s were intended to be studies of the second type, but they were not conducted by states, and waivers were not involved.

¹³This count combines two separate waivers in force in California for evaluation of effects of changing the "100 hour" restriction in AFDC-UP (the 100 hour rule is explained and discussed later in the paper), it combines waivers granted to support the California Greater Avenues for Independence (GAIN) program, and it treats each JOBS evaluation site as a separate entity.

Description

The 30 projects can be divided into six categories on the basis of general emphasis. The categories are: (1) Demonstrations featuring program integration; (2) demonstrations emphasizing manipulation of the so-called "100-hours" rule in AFDC-UP (discussed below); (3) welfare-to-work demonstrations emphasizing job search and training assistance for recipients; (4) demonstrations supporting efforts to move recipients to self-support through private business; (5) demonstrations emphasizing services and/or requirements for teenage recipients; and (6) a general category covering a variety of special projects. The two projects in the "program integration" category, in Alabama and Washington, involve integration of AFDC, food stamps, and other supportive services into a single program designed to simplify regulations and to enhance support for working recipients. Washington State's Family Independence Program (FIP) was specifically authorized by Congress in 1987. FIP differs from many of the OBRA demonstrations which preceded it and the JOBS program in that its training and employment component is voluntary and cash incentives are provided for recipients to participate. The transfer component unifies the cash value of food stamps with the basic AFDC grant and reduces the rate at which the combined benefit is reduced as earnings increase. The program includes several administrative innovations (Long and Wissoker, 1991).

Table 1
**Section 1115 AFDC Research and Demonstration Projects
 with Waivers in Effect in Fiscal Year 1991**
 (Bullets designate separate programs; date in parentheses is initial fiscal year
 of project operation)

State	Program Type					
	Program Integration (Demonstrations involving program consolidation and regulation unification)	AFDC-UP 100-Hour Rule (Experiments involving modification of AFDC-UP eligibility requirements)	Welfare-to-Work Programs (Tests of alternative approaches to job search and training for AFDC applicants and recipients; includes JOBS evaluation sites)	Self-Employment Investment Demonstration (SEID) (Five-state consortium with four-year demonstrations to test methods of assisting welfare recipients to begin self employment)	Programs for Teenage Recipients (Demonstration of and experiments with programs aimed at teenagers who are family heads or at risk of long-term dependence)	Other (Other administrative demonstrations and recipient support programs)
Alabama	<ul style="list-style-type: none"> ● Avenues to Self-Sufficiency through Employment and Training Services (ASSETS) (1990) (cn): Consolidates AFDC, FS, and low-income energy assistance programs; integrates and standardizes certain requirements 	(AFDC-UP modification included in ASSETS)				

State	Program Type					
	Program Integration (Demonstrations involving program consolidation and regulation unification)	AFDC-UP 100-Hour Rule (Experiments involving modification of AFDC-UP eligibility requirements)	Welfare-to-Work Programs (Tests of alternative approaches to job search and training for AFDC applicants and recipients; includes JOBS evaluation sites)	Self-Employment Investment Demonstration (SEID) (Five-state consortium with four-year demonstrations to test methods of assisting welfare recipients to begin self employment)	Programs for Teenage Recipients (Demonstration of and experiments with programs aimed at teenagers who are family heads or at risk of long-term dependence)	Other (Other administrative demonstrations and recipient support programs)
California		<ul style="list-style-type: none"> ●HAPEE (1989) (ra)/ RISE-UP (1990)/ Link-UP (1990): Evolving multiple-county experiment with elimination of 100-hours rule for eligibility for AFDC-UP 	<ul style="list-style-type: none"> ●Greater Avenues for Independence (GAIN)(1986)(ra): Comprehensive employment and training initiative for AFDC applicants and recipients that is precursor to JOBS. Additional waivers subsequently for GAIN modification, enhancement. ●JOBS (1991) (ra): Evaluation type B** site, Riverside Co. 			<ul style="list-style-type: none"> ●Los Angeles case management system (LEADER)(1991) (cn): Evaluation of automated case management system. ●Seasonal Employment Opportunities in State Government (1984): Effort to give AFDC recipients priority for certain state civil service positions.
Florida						<ul style="list-style-type: none"> ●Employment Search for Child Support Enforcement (1988) (cn): Provides assistance for noncustodial parents of children receiving AFDC in finding or improving employment.
Georgia			<ul style="list-style-type: none"> ●JOBS (1991) (ra): Evaluation type B** site, Fulton Co. 			

State	Program Type					
	Program Integration (Demonstrations involving program consolidation and regulation unification)	AFDC-UP 100-Hour Rule (Experiments involving modification of AFDC-UP eligibility requirements)	Welfare-to-Work Programs (Tests of alternative approaches to job search and training for AFDC applicants and recipients; includes JOBS evaluation sites)	Self-Employment Investment Demonstration (SEID) (Five-state consortium with four-year demonstrations to test methods of assisting welfare recipients to begin self employment)	Programs for Teenage Recipients (Demonstration of and experiments with programs aimed at teenagers who are family heads or at risk of long-term dependence)	Other (Other administrative demonstrations and recipient support programs)
Illinois					●Project Advance (1986) (ra): Mandatory education, training, and employment program for teen parents	●A Chance for Self-Sufficiency (1989) (cn): Post AFDC support services
Iowa				●SEID demonstration began 1988.		
Maryland				●SEID demonstration began 1990		●Cash Incentives in a Self-Sufficiency Program (1989) (cn): Provides cash incentive payments to recipients achieving certain "milestones" in welfare-to-employment effort
Michigan			●●JOBS (1991) (ra): Evaluation type A* site, Wayne County; evaluation type B** site, Kent County (1991)	●SEID demonstration began 1989		
Minnesota				●SEID demonstration began 1987		
Mississippi				●SEID demonstration began 1988		

State	Program Type					
	Program Integration (Demonstrations involving program consolidation and regulation unification)	AFDC-UP 100-Hour Rule (Experiments involving modification of AFDC-UP eligibility requirements)	Welfare-to-Work Programs (Tests of alternative approaches to job search and training for AFDC applicants and recipients; includes JOBS evaluation sites)	Self-Employment Investment Demonstration (SEID) (Five-state consortium with four-year demonstrations to test methods of assisting welfare recipients to begin self employment)	Programs for Teenage Recipients (Demonstration of and experiments with programs aimed at teenagers who are family heads or at risk of long-term dependence)	Other (Other administrative demonstrations and recipient support programs)
New Jersey					●Teen Progress (1986) (ra): Mandatory education, training, and employment program for teen parents	●Realizing Economic Achievement (REACH) (1987) (cn): Variety of employment, training, and educational activities plus post-AFDC support.
New York						●Child Assistance Program (1988) (ra): Evaluation of use of incentives for AFDC custodial parents to obtain child support and become employed
Ohio			●JOBS (1992) (ra): Evaluation type B ^{***} site, Franklin Co.		●Transitions to Independence (1988) (cn): Mandatory education, training, and employment program for teen parents, includes Learning, Earning, and Parenting (LEAP) program mandating and rewarding school attendance	
Oklahoma			●JOBS (1991) (ra): Evaluation type A [*] site, three counties			

Program Type						
State	Program Integration (Demonstrations involving program consolidation and regulation unification)	AFDC-UP 100-Hour Rule (Experiments involving modification of AFDC-UP eligibility requirements)	Welfare-to-Work Programs (Tests of alternative approaches to job search and training for AFDC applicants and recipients; includes JOBS evaluation sites)	Self-Employment Demonstration (SEID) (Five-state consortium with four-year demonstrations to test methods of assisting welfare recipients to begin self employment)	Programs for Teenage Recipients (Demonstration of and experiments with programs aimed at teenagers who are family heads or at risk of long-term dependence)	Other (Other administrative demonstrations and recipient support programs)
Texas						<ul style="list-style-type: none"> ● Toward Independence (1989) (cn): Evaluation of effects of providing special transitional services for recipients entering employment
Utah		<ul style="list-style-type: none"> ● 100-hour rule demonstration (1990) (ra): Determine effect of elimination of 100-hour rule for ongoing eligibility (like C.A., WI) 				
Washington	<ul style="list-style-type: none"> ● Family Independence Program (1988) (cn): Determine effect of combining AFDC and food stamps into single cash grant with enhanced financial incentives for employment 					

State	Program Type					
	Program Integration (Demonstrations involving program consolidation and regulation unification)	AFDC-UP 100-Hour Rule (Experiments involving modification of AFDC-UP eligibility requirements)	Welfare-to-Work Programs (Tests of alternative approaches to job search and training for AFDC applicants and recipients; includes JOBS evaluation sites)	Self-Employment Investment Demonstration (SEID) (Five-state consortium with four-year demonstrations to test methods of assisting welfare recipients to begin self employment)	Programs for Teenage Recipients (Demonstration of and experiments with programs aimed at teenagers who are family heads or at risk of long-term dependence)	Other (Other administrative demonstrations and recipient support programs)
Wisconsin		<ul style="list-style-type: none"> ●100-hour rule demonstration (1991) (ra): Determine effect of elimination of 100-hour rule for ongoing eligibility (like CA, UT) 			<ul style="list-style-type: none"> ●Learnfare (1988) (cn): Requires school attendance for teenage recipients 	<ul style="list-style-type: none"> ●Miscellaneous Transitional Support (1988) (cn): Demonstration increases duration of work incentives, Medicaid eligibility for employed recipients. ●20-Hour Rule (1988): Evaluation of effect of exceeding federal requirement for JOBS participation by AFDC recipients with children < 6 years old.

Notes:

In some instances waivers were in effect in fiscal year 1991 for projects not scheduled for initiation until 1992.

(cn) indicates waiver agreement specifies cost neutrality.

(ra) indicates demonstration evaluated with random assignment of recipients to experimental and control groups.

*JOBS Evaluation "Type A" sites involve evaluation of overall JOBS impact by assignment of persons to JOBS or control groups.

**JOBS Evaluation "Type B" sites support study of differential impact of strategic alternatives by assigning people to either of two JOBS program groups or a control group. See Manpower Demonstration Research Corporation (1992).

Source: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, Annual Report of Sections 1115 AFDC Research and Demonstration Projects in Fiscal Year 1991 (April 10, 1992) and miscellaneous other documents.

Demonstrations in the "100-hour" category also address support of working recipients, but with emphasis on manipulation of the definition of unemployment used in determining AFDC eligibility for two-parent families. The AFDC program has two major components. Ninety-one percent of benefits are paid through AFDC-R (Regular), for which families with children made needy by the absence or incapacity of a parent are eligible. The remainder of benefits is paid to families in AFDC-UP. AFDC-UP serves two-parent families in which one parent, the "principal earner," is jobless but has a history of work. Joblessness is established by the "100-hour rule," that is, when the principal wage earner involuntarily works less than 100 hours per month. A work history means, with some exceptions, 6 or more quarters of work in any 13-calendar-quarters period ending within one year of the date of application for public assistance. The 100-hour test is frequently criticized because it requires termination of welfare receipt for a family if the principal earner works more than 100 hours in a month, regardless of family size or earnings. As a result, a large family with a principal earner who can find only low-wage employment will generally be made worse off if he (or, in some instances, she) takes a job. In conjunction with mandating AFDC-UP for all states in the Family Support Act (FSA) of 1988 (the program had been optional before then), Congress authorized demonstration projects to test alternatives to the 100-hour definition of unemployment. The California, Utah, and Wisconsin projects were approved under this authorization.

The FIP and AFDC-UP demonstrations are not the only ones specifically encouraged by legislation. Six of the seven demonstrations in the welfare-to-work category, in California, Georgia, Michigan (two), Ohio, and Oklahoma, were initiated in connection with implementation of the Job Opportunity and Basic Skills training program (JOBS) for AFDC recipients that was authorized by the

FSA.¹⁴ These and California's Greater Avenues for Independence (GAIN) demonstration are all extensions of the basic welfare-to-work strategy established by states in the demonstrations that followed passage of the Omnibus Budget Reconciliation Act of 1981. The five demonstrations in the Self-Employment Investment Demonstration (SEID), in Iowa, Maryland, Michigan, Minnesota, and Mississippi, covered projects related to provision of loans and training for welfare recipients who want to start small businesses. These projects were instigated by the Corporation for Enterprise Development, a national organization interested in increasing employment opportunities for low-income people through enterprise development (Guy, Doolittle, and Fink, 1991). While the JOBS demonstrations are very large, often involving several thousand AFDC applicants and recipients in control and treatment groups, the Self-Employment Investment Demonstrations are generally quite small (Iowa's initial authorization was for just 100 participants). The AFDC-UP and SEID demonstrations offer other contrasts as well: whereas the AFDC-UP demonstrations involve random-assignment designs, the SEID demonstrations focus on evaluation of administrative feasibility of systems supporting self-employment efforts of welfare recipients.

Four state programs for which waivers were in force in fiscal 1991 involved teen parents in AFDC. Two of these, Project Advance in Illinois and Teen Progress in New Jersey, are carefully planned efforts at intervention when families are thought at risk of long-term dependence. Of the group, perhaps the most attention has been attracted by Wisconsin's "Learnfare" demonstration, which, as is discussed later, is imitated in a number of the new state initiatives. Learnfare reduces AFDC grants for teenage mothers who fail to attend school regularly and for families with teenagers who are truant. The program is highly controversial, and the conflict has been exaggerated by a

¹⁴Despite the importance attached to experimental evidence in the debate over the provisions of the JOBS program, Congress did not actually fund the evaluation provisions in the Family Support Act. The evaluation was instead undertaken on DHHS initiative. Specific sites were recruited by the evaluation contractor and DHHS. See Manpower Demonstration Research Corporation (1992). A case could be made for leaving these demonstrations out of the analysis altogether, since the waivers cover principally procedural matters.

seriously flawed nonexperimental evaluation commissioned by the state.¹⁵ The Wisconsin Learnfare demonstration is an excellent case in point for those who insist on classical evaluation designs for state demonstrations.

The residual category covers a variety of program variants and administrative innovations. Examples include a California program to enhance access of AFDC recipients to seasonal employment in state government and a Florida program for requiring unemployed and underemployed noncustodial parents of children supported by AFDC to participate in job search programs. The New York Child Assistance Program (CAP) creates a financial incentive for single adults in AFDC families to seek court-issued orders of child support from the noncustodial parents of the children involved. When such orders are obtained, a much larger proportion of earnings is disregarded if the custodial parent becomes employed.¹⁶

Twelve of the waivers identified in Table 1 were granted subject to a cost-neutrality restriction. Those not so constrained were established prior to 1988 or were specifically encouraged without this restriction by federal policy (the JOBS demonstrations, for example, are a DHHS initiative). Cost neutrality has been difficult to enforce; an attempt by DHHS to collect \$10 million in excess costs incurred by Washington State in the operation of FIP was countered by a lawsuit, but was ultimately successful. Negotiations with Alabama over establishment of cost neutrality are also

¹⁵See Employment and Training Research Institute (1992). The ETI evaluation judged Learnfare a failure by comparing the delinquency rates of teenagers in families receiving public assistance to the delinquency rates of teenagers in families who had, prior to the initiation of the evaluation, received public assistance but who were no longer receiving welfare. The statistical analysis implies, among other things, that Learnfare actually reduced school attendance among at-risk teens, an outcome for which there is little if any logical support. The problem is that families with teenagers who leave welfare are likely to be different in many ways from families who do not, and some of these differences (for example, the more frequent presence of both parents) are likely to affect school attendance. In addition, the ETI report fails to recognize that the effects of Learnfare may have changed over time as operating experience was gained and a system of provision of supportive services for families at risk of Learnfare sanctioning was developed. The outcome is that we really don't know what the net effects of Learnfare have been.

¹⁶Evaluation of the CAP demonstration program is being conducted using a mixed strategy in which all AFDC recipients are eligible for the program in some counties while in others the CAP opportunity is provided to only a randomly selected experimental group. After 12 months, participation among eligibles is still quite small, but it appears that a few families have obtained child support orders and increased employment as a result of the CAP incentive. See Hamilton et al. (1992).

continuing. In the case of California's LEADER demonstration, an "independent third-party evaluator" is responsible for monitoring the demonstration and assessing cost neutrality. In general, with the exception of the Alabama, New York, and Washington projects, these proposals do not involve benefits; the association of benefit enhancement with problems in maintaining cost neutrality for preexisting projects has encouraged careful attention to the cost-neutrality specification in the new wave of demonstrations.

Assessment

National objectives. Evaluating this collection of demonstrations for which waivers were obtained requires some statement of national objectives, about which there exists considerable political controversy. It is not possible to develop here a complete discussion of the extent or nature of whatever political consensus currently exists on welfare policy. I believe, however, that most observers would agree to at least the following four statements, and that the foundation for consensus lies in that agreement.

- There is continuing active public sentiment for welfare reform; the current system has little political support.
- Any reform must emphasize efforts at self-support as the obligation of recipients.
- For able-bodied adults, welfare should be transitional, and welfare services should be oriented toward shortening the duration of receipt.
- Many of the solutions to welfare problems lie outside the system.

At least the first three of these statements can be interpreted as challenges to what President Bush termed the "assumptions of the welfare state." The waiver-based demonstrations active in fiscal year 1991 reflected this consensus, but they also illustrate three fundamental political and policy problems generated by the waiver approach to welfare reform: Demonstrations need in general to be

narrowly focused, it usually takes a long time for their benefits to be realized, and in practice they operate within the welfare system.

The need for state demonstrations to be narrow. Rarely do either welfare "experts" or the person-calling-the-radio-talkshow seriously propose that the problems of public assistance policy can be addressed with a single fix. There are, instead, many layers to welfare policy problems, and most plans for general reform include different components for different elements (Corbett, 1993). But impact evaluations of general reform efforts are not the domain of state demonstrations, because "general" is too big. It may be possible to assign some recipients to an education-first, welfare-to-work track and others to a track which emphasizes early job placement (as is being done in JOBS experiments in Georgia, Michigan, and California) and then at some later point compare the results and draw inferences about the relative efficacy of the two strategies for JOBS program operation. However, experimenting with "comprehensive" schemes is much more problematic, because broad-focus changes in public assistance schemes are difficult to generate and assess in an experimental context, in part because such changes may well interact with the larger economic and social environment of the public assistance system (Garfinkel, Manski, and Michalopoulos, 1992).

Here the politics of demonstrations conflicts with policy science. The first principle of welfare reform cited above is that the current system lacks political support. The implication is that reform needs at least to look wide-ranging--"comprehensive" is a key word. Offered the choice between a bad but multi-faceted demonstration and a good but narrowly focused one, political incentives may cause governors to choose the former, even when the chances of meaningful evaluation are nil. It is possible that the larger political context can affect this choice. If individual demonstrations can be interpreted in the context of a more general strategy, the political pressure for each demonstration, taken individually, to appear "comprehensive," might be reduced. But if no such vision is promulgated, the tendency will likely be to oversell and inflate the consequences of worthy

but small-scale interventions and to multiply the dimensions of demonstrations with the consequence that, in the end, little of use will be learned.

Demonstration time versus political time. If welfare problems are really as bad as it seems sometimes politic to claim, then general action is imperative and demonstrations simply take too long. A good example of the conflict between action and learning is provided by the evaluation of the impact of the JOBS component of the Family Support Act of 1988. This evaluation only began in 1991, and the first impact results are unlikely to be available before 1994. Even then, the results (for example the relative productivity of the two welfare-to-work tracks mentioned above) are certain to be more than a little jejune for welfare politics.

Reform from within versus reform from without. By their very nature waiver-based demonstrations operate by changing the circumstances of persons in contact with the welfare system. But a key part of the consensus as stated above is that more methods must be found to make increasing self-support--even complete loss of contact with welfare--a viable alternative for poor households. The strategies for making loss of contact viable operate either by raising the benefits associated with life on the outside compared to life on AFDC or by reducing the relative desirability of receiving welfare. Those strategies that work on the outside involve benefits--assured child support, the Earned Income Credit, and so on--that do not require contact with AFDC.

Operating from within the AFDC system, the methods available for encouraging movement to self-support involve raising the costs of welfare reciprocity, raising skills, or raising returns to increasing self-support. Cost-oriented policies encourage movement from welfare by making continued welfare receipt more expensive or distasteful relative to the costs and difficulties associated with job-taking. All time-consuming welfare requirements, such as required work, do this. Skill-oriented policies raise the return to work effort by enhancing skills--in job search, on the job once it is acquired, or both. Such policies, it is hoped, raise wages. Raising the returns from efforts at self-

support compared to total dependence on welfare requires manipulating the way in which benefits decline as earnings increase. But while such policies may encourage reduced dependence on welfare, it is difficult to engineer a politically acceptable incentive that will encourage *leaving* welfare.

This last point is usefully elaborated, for, as will be shown later, it has not been adequately appreciated by the framers of the new state initiatives. A common criticism of welfare is that work incentives are weak or absent: for welfare recipients, work just doesn't "pay."¹⁷ The result is very frustrating, especially for professional staff in welfare-to-work programs. These people experience daily the disappointment of seeing the employment ambitions of low-skill recipients stifled by the reality of the very marginal gain that employment at entry-level jobs provides over exclusive reliance on welfare or welfare and casual income. The natural response is to argue for reducing welfare's "tax" on earnings by letting recipients keep more of what they earn without sacrificing benefits. However, doing what seems natural in this instance *within* the welfare system conflicts with other goals of welfare policy.

Here's why: It is possible to raise the returns to work within the welfare system only by reducing the benefit received when not working or by raising the benefit that is retained once work is undertaken. The former strategy compromises what is presumably the fundamental purpose of welfare, the alleviation of need. But raising the benefit from combining work with welfare discourages, at least in the short run, leaving welfare altogether and therefore may conflict with the objective of shortening the duration of welfare receipt. This conflict in objectives has led both policy analysts and politicians to argue for reduced emphasis on incorporation of work incentives within benefit calculations in favor of moral suasion, work requirements, skills enhancement, and techniques for supplementing income during what is explicitly identified as a transitional period (of short duration)

¹⁷For a mid-campaign example see Jason DeParle, "When Giving Up Welfare for a Job Just Doesn't Pay," New York Times, July 8, 1992, p. A1.

following employment. Such programs, operating within the welfare system, can be complemented by policies, like the Earned Income Credit, which positively affect income for families who are not receiving AFDC benefits. Title I of the Family Support Act of 1988, "Child Support and Establishment of Paternity," had this objective as well, since it was aimed at increasing the incidence and amount of child support payments by noncustodial parents. Child support, when paid, adds to the attractiveness of wage employment outside of welfare relative to the attractiveness of welfare receipt, because for those receiving AFDC, child support payments in excess of \$50 per month reduce welfare benefits dollar for dollar.¹⁸

The incentives problem, and the policy response to it, is evident in the collection of demonstrations. Most demonstrations operate on skills or emphasize incentives that are only transitional in application. Of the 30 projects only Alabama's ASSETS, New York's CAP, Washington State's FIP, and the various AFDC-UP demonstrations involve long-term enhancements of the financial incentives for work incorporated in the welfare system. Significantly, it is incentive projects that have posed the most significant cost problems, largely because, as indicated above, increasing financial incentives for work encourages the combination of work with welfare and enhanced duration of welfare receipt. Analysis of the first 14 quarters of FIP experience suggests the program increased the AFDC-R caseload by about 5 percent in the sites in which it was operated; estimates of the effect on the AFDC-UP caseload are very sensitive to assumptions made about caseload trends in the absence of the program, but on balance it appears that the program increased the UP caseload by at least 25 percent.¹⁹ (CAP, which is being conducted without a cost-neutrality requirement, presumably offsets at

¹⁸U.S. House of Representatives, Committee on Ways and Means, 1992, p. 605. The \$50 "disregard" is arguably bad policy, since it raises the gain from staying on public assistance relative to the return for job-holding and termination of welfare receipt. New York's CAP program eliminates it, presumably for this reason (see Table 1).

¹⁹See Marcotte (1992). FIP initially eliminated the work history requirement for AFDC-UP eligibility; this was restored a year after FIP began to stimulate caseload growth. Thus to an uncertain extent the growth of AFDC-UP under FIP was attributable not to the loss of the 100-hour rule and increased financial incentives but to the reduction in other barriers to eligibility.

least part of the costs of enhanced work incentives by savings generated from increased child support payments.) The problems with FIP and ASSETS reinforced the Bush administration's determination to pay careful attention to specification of procedures for assessing of cost neutrality. At the same time, the FIP/ASSETS experience has delivered a clear message to states concerning the perils of undertaking wide-ranging reform without budget-insuring benefit reductions. As is discussed later, it is possible that similar problems will arise with the AFDC-UP projects.

Before moving on, it is important to emphasize that Section 1115 does not require that waivers be used exclusively for enhancement of the *current* welfare system. In principle it would be possible to issue a combination of 1115(a)(1) and 1115(a)(2) waivers that would permit setting up parallel systems for support of the working poor--as was planned in Wisconsin's ill-fated Assured Benefit Child Support experiment.²⁰ But such experiments would in general require both state and federal financial commitment, and they would be difficult to justify at either level in the absence of a sense of integration with a specific reform agenda.

Conclusion: Where We Were in 1991

While reservations might exist about the prospects of or rationale for some of these demonstrations (for example, I doubt that self-employment really offers much promise as an objective to guide recipient training policy), interesting things were afoot at the end of 1991. The demonstrations reach beyond what was learned in the work-welfare demonstrations of the early 1980s to tackle issues of strategy (the JOBS evaluations), problems of special subgroups (the teenage parent programs, the AFDC-UP investigations), opportunity development (the self-employment demonstrations), and consequences of alternative general program structures (FIP, ASSETS). Most emphasize features rather than behavioral effects, although recipient responses to incentives are important objects of

²⁰See Corbett(1992). The Wisconsin experiment was authorized by legislation, so in fact separate waiver approval was not required.

evaluation in several of the categories. In some cases the general initiatives are roughly replicated in more than one site, with the potential for at least casual synthesis of results.²¹ Both because of their limited focus and because of the structural problems with welfare reform-from-within described above, these programs are hardly the answer for those seeking major welfare reform. If one takes out of the list the JOBS demonstrations (a product of Congressional and DHHS initiative, not the states') and SEID efforts, not very much is left. At the same time, it is doubtful that the integrity of the welfare system, or the well-being of its dependents, was significantly diminished by what was under way, and at least the JOBS demonstrations are directly related to the national reform agenda established by Congress in 1988. The question to be asked concerns the extent to which the new waiver initiatives complement or build upon this inventory. It is to this issue that I now turn.

The New Waiver Proposals

By Inauguration Day, 1993, the Bush administration had approved new waiver-based demonstrations for eleven states and action was pending upon applications received from an additional six states. These are summarized in Table 2.²² Only one proposal, an ambitious medical cost-containment package proposed by Oregon in 1991, was turned down in its entirety.²³ Like the demonstra-

²¹Rigorous synthesis requires much more attention to replication. See Greenberg, Meyer, and Wiseman (1993).

²²Table 1 covers waivers in effect in Fiscal 1991; Table 2 summarizes waiver requests approved between January 1, 1992, and the Inauguration or carried over for the new administration. Some waivers were received and acted upon between the end of FY 1991 and the beginning of calendar year 1992, and waivers for a major program funded by the Minnesota state legislature in 1992, the Minnesota Family Investment Program, were granted earlier, following authorization by Congress in 1989. Here as in Table 1 the count is a matter of considerable discretion; the six Illinois projects are counted as a group in Table 2, while, somewhat arbitrarily, Wisconsin's Parental and Family Responsibility Initiative and Two-Tier Welfare Proposal are counted separately. For a useful catalog and review that is one of the sources of Table 2, see Levin-Epstein and Greenberg (1992). DHHS receives many tentative proposals, often for technical assistance, but only formal submissions show up in Table 2.

²³The Oregon Proposal has received tentative approval from the Clinton administration. Some proposals were carried over for continuing negotiation. These include an Arkansas (!) plan to eliminate benefit increases for children conceived by women receiving AFDC, a Massachusetts proposal to require JOBS participants to contribute to the costs of day care for their children,
(continued...)

tions in operation in 1991, these projects differ substantially in content, scope, and likelihood of success. Although in part the new demonstrations reflect continued attention to problems addressed by earlier waiver-based demonstrations (the 100-hour rule, for example), in general they are more complex, and they pay much greater attention to development of *financial* incentives for work, for education, and for avoiding childbearing and migration. (As discussed earlier, financial incentives for work have serious drawbacks. The problems they raise will be discussed in examining the individual initiatives.) Proposals for similar projects were considered in many other states (Levin-Epstein and Greenberg, 1992).

Among the initiatives targeted at something other than health care, Wisconsin's "Parental and Family Responsibility Initiative," New Jersey's "Family Development Program," and California's "Welfare Reform Demonstration Project" had, by midsummer, attracted the most national attention. A more detailed look at these proposals reveals more problems with the waiver strategy pursued by the Bush administration.

²³(...continued)

an Oklahoma learnfare plan, a South Carolina proposal for expansion of work experience placements to private employers, a Vermont Family Independence Project with multiple components, and Wyoming proposals for limiting the secondary education options of JOBS participants and for reducing benefits to cases opened by new arrivals to the state.

Table 2
Waivers Approved or Pending, January 1, 1992 - January 19, 1993

State	Demonstration	Federal Agencies Involved	Status (month references are for 1992 unless otherwise noted)
Arkansas: Reduction in AFDC Birthrates Project	Eliminates AFDC benefit increase for additional children born to families already receiving AFDC; enhanced family planning counseling for recipients aged 13-17; mandatory participation of minor parents in special JOBS component.	HHS/ACF	Proposal received January 1993; pending.
California: Welfare Reform Demonstration Project	Reduces AFDC benefits 10 percent, additional 15 percent for a family with an able-bodied worker after 6 months on the rolls; eliminates time limit on \$30 and one-third earned income deduction; eliminates 100-hour rule for two-parent (AFDC-UP) families; provides additional voluntary job search assistance for new cases; requires pregnant or parenting minors to live with parents; requires pregnant or parenting teens who have not completed high school to attend school or training, rewards regular attendance and penalizes excessive absences; pays benefits for new arrivals to state at the level of state of origin for one year; provides no additional benefits for children conceived while a parent is receiving assistance.	HHS/ ACF HHS/ HCFA USDA/ FNS	Proposal submitted May, approved July. Demonstration project included in referendum proposition that failed in November; modified proposal (see below) approved by legislature will be implemented.
California: Assistance Payments Demonstration Project	Backup for Welfare Reform Demonstration Project (see above): Reduces AFDC benefits to all households by 1.3 percent (on top of a 4.5 percent reduction effective October 1, 1992); eliminates time limit on \$30 and one-third earned income deduction; eliminates 100-hour rule for two-parent (AFDC-UP) families; pays benefits for new arrivals to state at the level of state of origin for one year.	HHS/ ACF	Proposal submitted September, approved in October. \$30 and one-third limit removal requires additional state funds and is unlikely to be implemented.
Georgia: Preschool Immunization Project (PIP)	Authorizes financial sanctions for recipient families failing to meet immunization requirements for preschool children.	HHS/ ACF	Application received November, approved November.
Illinois	Seven demonstration components covering: (1) a statewide change in budgeting rules intended to reduce barriers to short-term employment; (2) elimination of the AFDC-UP 100-hour rule, work history requirements, and restriction on refusal of bona fide offers of employment for young two-parent families; (3) a two-site demonstration of an expanded component of the JOBS program which includes academic and job-oriented activities as well as life skills and support services for young men and women; (4) a pilot ("One Step at a Time") mandatory employment transition program for long-term recipient families with no employment history, young children, and limited education; (5) a pilot project providing transitional assistance and additional earned income allowances and emergency assistance payments for 600 homeless families; (6) reduced benefits for new state migrants for one year; and (7) a pilot project offering noncustodial fathers JOBS program services and supportive services.	HHS/ ACF HHS/ HCFA	Applications for components (1)-(6) received October; supplemental application for Parental Involvement Project received November. Approval deferred for relocation, "One Step" proposals; remainder approved January 1993. HCFA waivers for Medicaid components pending.

State	Demonstration	Federal Agencies Involved	Status (month references are for 1992 unless otherwise noted)
Maryland: Primary Prevention Initiative Demonstration Project	Institutes financial sanctions (benefit reductions) for families in which children do not meet school attendance requirements, preschool children do not receive required immunizations and related health services, and/or adults and school-age children do not receive annual health check-ups. Institutes special-needs allowance for pregnant women and imposes financial penalty on those who do not receive regular prenatal care.	HHS/ ACF	Proposal submitted May 1992, approved June 1992
Massachusetts: Child Care Co-Payment	Requires JOBS participants to contribute to the costs of day care for their children.	HHS/ACF	Proposal submitted January 1993, pending
Michigan: "To Strengthen Michigan Families" Demonstration	Replaces current expense and work-incentive deductions with single disregard of \$200 plus 20 percent of the remainder with no time limit; eliminates the AFDC-UP 100-hour rule and work history requirements; increases flexibility in application of JOBS participation requirements; modifies AFDC, food stamp treatment of earnings, savings of dependent children; implements variety of Medicaid, child support enforcement policies.	HHS/ ACF HHS/ HCFA USDA/ FNS	Proposal submitted July, approved August
Missouri: People Attaining Self-Sufficiency (PASS)	Expands JOBS program to mandate school attendance for recipients in grades 7-12 in selected school districts.	HHS/ ACF	Proposal submitted August, approved October
Missouri: 21st Century Communities Demonstration Project	Waiver request covers AFDC component of a comprehensive demonstration including economic and job development, education enhancements, and family support systems. The AFDC component involves the approval of waivers to allow the state to use AFDC funds to supplement wages for individuals who volunteer for employment under this component of the JOBS program for up to 48 months; pays child support directly to the AFDC family; allows individuals participating in the subsidized jobs to accumulate resources up to \$10,000, and provides AFDC benefits to AFDC-UP cases when the primary earner works more than 100 hours in subsidized employment.	HHS/ ACF	Proposal submitted in January 1993 and approved in January 1993; acceptance includes exceptional number of conditions and reservation of the right of DHHS to withdraw by June 30, 1993.
New Jersey: Family Development Program	Requires vocational assessment for cases otherwise exempt from JOBS with a child under 2; additional benefits eliminated in most instances for children born to mothers receiving assistance; earnings disregard calculation procedure altered to enhance work incentives for mothers who have additional children after AFDC accession; when an AFDC recipient parent marries an individual who is not the parent of the AFDC children, treatment of step-parent income in benefits calculation is liberalized; the 185 percent standard-of-need test is liberalized; transitional Medicaid extended to two years; other administrative changes.	HHS/ ACF HHS/ HCFA	Proposal submitted June, approved July.
Oklahoma: Learnfare	Requires school attendance for AFDC children through age 18 or to high school graduation with financial sanctions for noncompliant families.	HHS/ACF	Proposal submitted January, pending.
Oregon: JOBS Waiver Project	Expands JOBS participation requirements, increases sanctions for noncompliance.	HHS/ ACF HHS/ HCFA	Proposal submitted March, approved July.
South Carolina: Private/For Profit Work Experience Project	One-county demonstration featuring modification of treatment of earnings in benefits computation for families involved in work experience activities; uses private, for-profit businesses in work experience program; eliminates AFDC benefits for entire family when sanctions applied to uncooperative clients.	HHS/ ACF	Proposal submitted December, pending.

State	Demonstration	Federal Agencies Involved	Status (month references are for 1992 unless otherwise noted)
Utah: Single Parent Employment Demonstration (SPED)	Multifaceted demonstration including, inter alia: All applicants for AFDC are evaluated to determine feasibility of diversion from AFDC through interim cash and services support; increases benefits for families making transition from welfare to employment; eliminates all JOBS exemptions except for children under 16; replaces current expense and work-incentive deductions with single disregard of \$100 plus (for recipients) 45 percent of the remainder with no time limit; substantial modification of financial incentives for JOBS participation and cooperation in paternity and child support determination; eliminates remaining JOBS exemptions for recipients under 16 and not employed or in school; changes assets test for AFDC eligibility; cashes out food stamps; numerous changes in AFDC, food stamps, and public housing system programs and administration.	HHS/ ACF HHS/ HCFA USDA/ FNS HUD	Proposal submitted June, approved October.
Vermont: Family Independence Project	Substitutes permanent earned-income disregard of \$150 plus 25 percent of gross earnings for current disregard system; eliminates 100-hour, work history requirements for AFDC-UP eligibility; requires participation in subsidized employment using grant diversion if not employed in unsubsidized job after fixed duration of AFDC receipt; requires pregnant minors or minor parents to live in a "supervised setting"; extends Medicaid transitional assistance for an additional 24 months; child support payments will be disbursed directly to the AFDC family and counted as income in benefits computation; other administrative procedures.	HHS/ ACF HHS/ HCFA USDA/ FNS	Proposal submitted October; approval pending. (Package failed to gain legislative approval in 1992.)
Virginia: JOBS and Child Support Program	Gives priority in child support enforcement to JOBS participants; extends transitional Medicaid benefits and other supportive services to allow completion of JOBS components for those leaving AFDC due to enforcement of child support obligation of noncustodial parents.	HHS/ ACF HHS/ HCFA	Proposal submitted August 1991, approved July.
Virginia: Virginia Incentives to Advance Learning (VITAL)	Creates a system for requiring school-aged AFDC recipients to participate in educational activities in a multistep process involving development of attendance, achievement, and parental involvement goals enforced through counseling and financial and legal sanctions.		Proposal submitted June, approved September.
Wisconsin: The Parental and Family Responsibility Initiative	Pilot demonstration of initiative for new welfare applicants under age 20 and their spouses or adjudicated fathers of their children which would (1) extend AFDC eligibility to young married couples subject to the initiatives who do not meet the work history requirements of the AFDC-UP program and eliminate the 100-hour rule for them; (2) pay one-half the usual increase for a second child born to families subject to the initiatives and no additional increase for subsequent children; (3) replace the current earned-income disregards with a permanent \$200 plus one-half disregard; and (4) require unemployed, noncustodial fathers of children subject to the initiative to participate in the JOBS program. "New applicants" include teenagers who because of pregnancy or birth become eligible for opening their own cases while receiving benefits as part of another family.	HHS/ ACF	Proposal submitted March, approved April.
Wisconsin: Two-Tier AFDC Benefit Demonstration	Pays benefits for new arrivals to state at the level of state of origin for six months.	HHS/ ACF	Proposal submitted June, approved July.
Wisconsin: Special Resources Account and Vehicle Asset Limit Demonstration	Extends AFDC eligibility to families with combined equity value in their automobiles of \$2,500 or less; exempts up to \$10,000 in special resources accounts established specifically for either (1) the education or training of the parent or his/her child or (2) improving the employability of a family member.	HHS/ ACF	Proposal submitted October, approved January 1993.

State	Demonstration	Federal Agencies Involved	Status (month references are for 1992 unless otherwise noted)
Wyoming: Limitation of Higher Education as an Eligibility Requirement for AFDC	Disallows AFDC benefits for households where "primary information" person's pursuing second bachelor's degree, in B.A. degree program of six or more years, or in Associate Arts degree program of four years or more.	HHS/ ACF	Proposal submitted September, pending.
Wyoming: Relocation Grant	Limits for twelve months the grant level of families moving to state to lesser of state grant or maximum aid payment in state of last residence.	HHS/ ACF	Proposal submitted in December, pending.

Source: Waiver proposals and approval documents furnished by U.S. Department of Health and Human Services, plus Levin-Epstein and Greenberg (1992).

Wisconsin Parental and Family Responsibility Initiative²⁴

Description. The Wisconsin Parental and Family Responsibility Initiative (PFRI) was announced April 10, 1992, by President Bush and described in greater detail at a press conference held the same day by Secretary of Health and Human Services Louis Sullivan and Wisconsin Governor Tommy Thompson. According to the state's press release, the object of concern of the Wisconsin initiative is "children having babies"--teen pregnancy and associated accession to public assistance. The intention of the initiative is to "promote and preserve families by removing disincentives in the welfare system that serve as barriers to young couples from marrying and working."²⁵

In its emphasis on more active intervention in the lives of teenage recipients and teenage parents, the Wisconsin initiative is similar both to several of the waiver-based projects already in effect in 1991 and to those proposed by other states. It is unique in the explicitness of its attempt to encourage marriage (or at least cohabitation), a feature that has attracted the sobriquet "bridefare." The bridefare issue tended in media coverage to overshadow other features of the program, especially its generosity. The PFRI provisions are a useful point of departure for comparison to other state initiatives and for understanding current procedures for evaluation of such applications.

Wisconsin proposes that beginning July 1, 1993, a randomly selected sample of new teenage applicants for public assistance in four counties (possibly five, depending upon the numbers required for adequate power for statistical evaluation of demonstration outcomes) will be enrolled in a new program. For those selected, the AFDC program will differ from Wisconsin's standard operation in several important ways.

²⁴Unless otherwise noted, the description of the Parental and Family Responsibility Demonstration Project is from Wisconsin Department of Health and Social Services (1992) or from U.S. Department of Health and Human Services, "Amendments to Wisconsin's Special Terms and Conditions for Its Welfare Reform Demonstration, Part III, Wisconsin Parental and Family Responsibility Demonstration Project." For additional commentary on the initiative, see Greenberg (1992a).

²⁵Press release, "State of Wisconsin Parental and Family Responsibility Initiative," April 1992, p. 2.

- Work incentives will be increased for participants in both AFDC-R and AFDC-UP.
- Recipients will be discouraged from having more children while receiving assistance.
- The state will attempt to improve procedures for determining paternity and to raise child support contributions from noncustodial parents.

The proposed program is quite small, and however the evaluation is conducted, it will be some time before results are known. In its waiver application, the Wisconsin Department of Health and Social Services predicted that 662 cases would be covered by the end of the first year following project implementation; the total was projected to rise to 3,357 at the end of the fifth year of the project. For reasons discussed below, actual sample sizes have yet to be determined, but before considering sampling issues it is useful to explain the PFRI components in more detail.

Currently, in most states \$90 per month in earnings is disregarded to cover work expenses in the calculation of AFDC benefits for families who work. Put another way, the first \$90 of earnings has no effect on benefits received. For the first four months following the beginning of a job, an additional \$30 plus one-third of gross earnings in excess of \$30 is also not counted in calculating benefits. The \$30 disregard (but not the additional one-third) continues for a year. With the elimination of this \$30 disregard after a year, earnings beyond allowed expenses (\$90) are essentially offset dollar-for-dollar by loss of AFDC benefits. This disregard is not applied in determining welfare eligibility for new applicants. As a result, it is possible for a family, once on welfare, to increase earnings to levels that would preclude welfare entry and yet to continue receiving benefits because of the disregard. However, the fixed duration of the disregard makes this status transitory.

Between 1968 and 1981 the \$30 and one-third disregard continued indefinitely for recipients with earnings. The time limitation was introduced by the Reagan administration in 1981 in part because of the perceived inequity the disregard created between families in similar current situations

(some, because of the disregard, could continue receiving welfare, while others who had not previously achieved eligibility could not) and also because it was administration policy to shift to work requirements as an incentive for leaving welfare. The Reagan position reflects the common conclusion, already discussed, that sustained financial incentives incorporated within benefits calculations increase the caseload and have little effect on employment. Nonetheless, critics of AFDC continue to argue that welfare recipients cannot be drawn into the labor force without a more substantial financial payoff, and many states have proposed experiments with incentive enhancement (see the California, Michigan, New Jersey, and Utah projects in Table 2). The budget and caseload consequences of these initiatives are constrained in some combination of three ways. One is to expand the disregard to exempt more of the first dollars of earnings while retaining high benefit reduction rates beyond the base disregard amount. A second is to reduce the basic benefit, so that even if the addition of work incentives ends up increasing the caseload, the effect on total state costs will be modest. The third is to confine the enhanced incentive to a small group.

The Wisconsin initiative follows the third strategy and substantially boosts the financial incentives for work for the small group eligible for participation. The PFRI changes the AFDC earnings disregard from the current \$90 work expenses plus a time-limited \$30 and one-third to a continuous (over the five-year life of the project) \$200 plus one-half policy. Table 3 illustrates the consequences of the change for a single mother with one child who takes a low-wage, half-time job. By the seventh month of employment, the revised calculation procedure increases her gross income, (welfare plus earnings) by 39 percent. Moreover, under PFRI procedures, should the woman work one *more* hour per week, that is, change from 20 to 21 hours, her gross income will increase by

\$2.25; under current welfare benefits, an additional hour of work would not change gross income at all.²⁶

The significance of the 100-hour waiver has already been described in connection with the 1991 AFDC-UP initiatives. As also mentioned, AFDC-UP requires that the principal earner have a work history. The demonstrations in progress in California, Utah, and Wisconsin in fiscal year 1991 (see Table 1) did not interfere with this requirement. But it is clear that, especially for teen parents, a "work history" may be missing. As a result, payments in such cases, if the state allowed them to be opened, are not eligible for federal financial participation. Like the new Illinois and Michigan initiatives, PFRI includes a waiver of both the 100-hour rule and the work history requirement for couples who apply for welfare and who meet the age and other restrictions for participation. Given the emphasis of the Wisconsin initiative on teenagers, elimination of this restriction may be important to creating a welfare incentive for marriage. Like Michigan's initiative (which expands eligibility to applicants aged 18-24), the Wisconsin proposal is also exceptional in that the 100-hour rule is apparently eliminated both for *initial* determination of eligibility and for ongoing evaluation of status. Most previous demonstrations and those proposed by other states call for elimination of the rule only as it applies to job-taking following case opening. A family with a principal earner working more than 100 hours per month was not eligible for AFDC-UP in the previous demonstrations, no matter how low its income might have been.

Of all the provisions of the Wisconsin initiative, perhaps the greatest attention has been given to the restriction of benefit increases for the families of mothers who bear additional children while receiving assistance. Under the proposal, AFDC benefits will be rescaled so that the current grant

²⁶This example ignores food stamps, public housing, child care, and deductions from earnings. While the presence of any of these benefits or costs would alter the details of the calculations, it would not alter the conclusion. The details of benefit calculations in the presence of the multiple programs to which AFDC recipients have access are mind-numbing, and I choose to avoid them wherever possible in this paper. For further information, see U.S. House of Representatives, Committee on Ways and Means (1992, p. 626), and Wiseman (1993).

Table 3

Sample Benefits Computation
Wisconsin Parental and Family Responsibility Initiative
 (Single parent with one child, all income from AFDC or earnings,
 month 7 through 12 following job accession)

Current AFDC Monthly Benefit:	\$440.00
Current Procedure	
Gross Earnings	\$473.00
(Assumes 4.3 weeks, 20 hours per week, salary \$5.50/hour)	
Less \$30 disregard	\$ 30.00
Less \$90 work expense deduction	\$ 90.00
= Countable Income	\$353.00
Adjusted AFDC Benefit (Maximum benefit minus countable income)	\$ 87.00
Gross Income (Adjusted benefit with earnings)	<u>\$560.00</u>
PFRI Procedure	
Gross Earnings	\$473.00
(Assumes 4.3 weeks, 20 hours per week, salary \$5.50/hour)	
Less \$200 disregard	\$200.00
Less 1/2 of earnings > \$200	\$136.50
= Countable Income (gross earnings less deductions)	\$136.50
Adjusted AFDC Benefit (Maximum benefit minus countable income)	\$303.50
Gross Income (Adjusted benefit with earnings)	<u>\$776.50</u>

increment associated with a second child (which raises the benefit from \$440 to \$517 per month) will be reduced by one-half, to \$39. Subsequent children will produce *no* increase over this level.

The idea of discouraging fertility in this way has been around for a long time, encouraged in part by racist exaggerations about the size of welfare recipient families, but also considered a natural

extension of efforts to discourage behaviors that can be shown empirically to reduce the likelihood of a family's attaining self-sufficiency (Wiseman, 1985). The costs of such births are not a trivial part of welfare outlays: Janet Peskin of the U.S. Congressional Budget Office estimates that almost *one-third* of all families receiving AFDC nationwide include children born to adults already receiving AFDC, and that the benefits paid for these children amount to about 8 percent of all AFDC outlays.²⁷ But given the special population involved here and the fact that incremental benefits are halved and not eliminated, the impact of this restriction, applied over the lifetime of the project, is likely to be minor. The financial loss for the few families affected would be partially compensated for (about \$.30 per dollar of loss) by an increase in family food stamp allotments. The Wisconsin cap on benefits in this initiative related to family size is considerably less restrictive than that allowed for California or New Jersey.

Finally, the Wisconsin initiative promises increasing state efforts at establishing paternity and seeking child support. The innovative feature is to make JOBS participation mandatory for noncustodial, noncontributing parents who are unemployed. Such parents will be required to participate for 40 hours per week in a combination of training and work activities. The state also promises to increase incentives for counties to identify quickly the fathers of children born to teenage mothers by increasing the "bonus" paid counties for successes from \$100 to \$300 per paternity when established within one year of the child's birth (Wisconsin DHSS, 1992, Appendix B, p. 3). This aspect of the project is an example of approaching welfare reform from the outside; it is also an example of application of financial incentives for paternity establishment to units of government rather than directly to the mothers themselves. Such incentives do not require federal waivers. Wisconsin was not alone, however, in presenting its waiver request in the context of a package of reforms, some of

²⁷Janet Peskin, Congressional Budget Office, Memorandum, April 10, 1992.

which involved only local action. The extent to which DHHS approval of waiver proposals was influenced by program context is unclear.

The PFRI provides an opportunity to observe the administration's waiver-approval principles in action. In this case and others, DHHS met its one-month approval target by developing a two-stage approval process. In stage one, the department granted what amounted to approval of a demonstration plan in principle. But the "terms and conditions" delivered with the approval included requirements for delivery of an evaluation design that goes well beyond what was contained in the state's application. In the Wisconsin case, the waiver conditions get down to statistical power, that is, assuring a sample size that will make possible the detection of small differences in critical outcomes between the treatment and control groups in the demonstration.²⁸ In other waiver cases the required sample size is stated explicitly.

According to the schedule originally planned for the project, the Wisconsin sampling plan was due April 1, 1993. Many of the waivers granted in 1992 include similar second-stage requirements; this may give the new administration a window for negotiation with the states involved.

The DHHS "terms and conditions" include careful specification of the reconciliation process for payments to assure cost neutrality. The system includes both a general procedure for recovering excess costs and a backup restriction apparently intended to catch egregious overruns early. The backup restriction is tested at the end of the first year following initiation of the demonstration. At that time, Wisconsin is required to develop estimates of the cumulative costs of the demonstration based on comparison of costs for control and treatment cases. If cumulative federal excess costs for

²⁸U.S. Department of Health and Human Services, "Amendments to Wisconsin's Special Terms and Conditions for Its Welfare Reform Demonstration, Part III, Wisconsin Parental and Family Responsibility Demonstration Project," section 3.8. The standard requires a sample large enough to detect a normalized effect size of 0.2 with a confidence level of 95 percent and a statistical power of 0.8. These seem to be appropriate to the issue at hand; for example if marriage incidence within this population is typically on the order of .10 in the year following welfare application, the requirement calls for identification as statistically significant a difference of .02 between the treatment and control groups. The required sample size is approximately 400 (Cohen, 1988, p. 37). A larger sample size may permit identification of differential effects by subgroups.

the treatment group exceed \$50 million, the federal contribution for the treatment group will be reduced immediately to the same level required for the control. Enforcement of the backup restriction seems highly unlikely given that estimated total costs of the project are less than \$9 million over three years. Otherwise, only after the *thirtieth* month of the demonstration will the sum of excess costs, if any, be prorated and collected by reducing federal reimbursement for the costs of the experimental group below control levels. By the end of the project, all cost overruns are to have been recouped. Wisconsin, in other words, cannot end its demonstration in debt to the federal government. The cost recovery features of the terms and conditions of waiver awards granted to other states were worded similarly. Unlike other states, Wisconsin has leeway in avoiding payment of some federal cost overruns, because by agreement the state can still claim some federal matching funds on the basis of federal savings believed to have accrued when Wisconsin cut its welfare benefits beginning in fiscal year 1988.

Assessment. For the most part, this Wisconsin demonstration is a significant liberalization of welfare, with a combined focus on teenagers and two-parent (or potentially two-parent) households. But as a research effort intended to promote the objectives of AFDC, the project has several deficiencies, which are mirrored in similar initiatives in other states. One set of issues concerns differences between the effects of a program such as PFRI operated under experimental conditions and the effects that might be anticipated should its features be applied to all cases. A second set relates to the focus of this and other demonstrations upon the consequences of a collection of interventions, rather than a single program innovation, for recipient behaviors. A third relates to the politics of demonstration operation.

The first set of issues may be termed "external validity" questions: Will any of the effects that the demonstration may or may not identify be relevant to full-scale program adoption? There is some reason to believe that effects identified by the demonstration might significantly *understate* the

effects of a PFRI-type program if generally implemented. Some of the effects of a system such as that incorporated in the PFRI would probably operate through the community. That is, presumably some young parents would consider the marriage option simply because of the stimulus such a program might provide toward making marriage fashionable. Such community effects are unlikely to be generated by a small-scale operation.²⁹ It is possible that in general operation the PFRI system would lead young parents to marry, or at least cohabit, once pregnancy was established because they would know support was available. In the experimental environment, however, this will not occur, because young parents will not know if they are eligible for the various cohabitation incentives incorporated in the PFRI until *after* the mother in the case applies for assistance. In Wisconsin one cannot receive welfare until the third trimester of pregnancy. Thus for young couples considering taking responsibility for the consequences of their sex lives, the experiment creates something of a lottery, with lottery outcomes determined too late for an abortion, if such a step would have been the alternative. There seems little reason to believe that whatever effects are observed from the lottery would transfer to full-scale operation.

The utility of research is enhanced when results are replicated and reinforced by multiple investigations and when outcomes can be traced to well-defined interventions. Like many other demonstrations, the PFRI includes many components. It is unlikely that any future implementation, either in Wisconsin or elsewhere, will contain all the elements presented here. As a result it is not clear that any observed outcome will present convincing evidence for inclusion or exclusion of individual components in some future reform. Nevertheless, the question addressed by the PFRI is interesting: How responsive are young parents likely to be to financial incentives for cohabitation?

²⁹The Wisconsin proposal argues that such community effects will be present: "To the extent the PFR demonstration succeeds in assisting older teen parents to achieve self-sufficiency through case management, education and job training, these single parents . . . will encourage their younger siblings and friends to avoid becoming pregnant for the first time until after they complete high school" (Wisconsin Department of Health and Social Services, 1992, Appendix B, p. 8).

Milwaukee has a reputation for exceptional rates of out-of-wedlock births to teen mothers. If the fathers in such families are discouraged from living with their children because of inability to provide support, it is difficult to argue that it is inappropriate for society to attempt to assist such couples to live together, especially if in the long run cohabitation leads to a reduction in the duration of the mother's welfare dependence. But it will take a long time to find out if this plan works--perhaps as much as four years for data collection and analysis to be completed--and then at best the results will refer only to outcomes from a small and perhaps idiosyncratic collection of teen mothers principally drawn from a particular Midwestern city. If time is to be invested in such endeavors, it seems reasonable to choose the components carefully with an eye toward the feasibility of general implementation and to consider encouraging similar policies at multiple sites. Also, one should look carefully at the target group. In practice, would such a program be confined only to teenagers, or would the age range be expanded, say to 24? If so, would it not be better to include such groups immediately?

As both Tables 1 and 2 indicate, Wisconsin is currently operating or planning a wide range of waiver-based welfare reform initiatives. Like politicians elsewhere, Governor Thompson has responded to public concern about the welfare system by using the waiver process to pursue change. However, the problem with the political incentives created by the waiver option is that most of the political benefits appear to come from the announcement, not the implementation, or indeed the impact, of the reform. Implementation--whether or not the state really does what it says it will--is rarely an object of media interest. The actual effect of such innovations is likely to be identified, if at all, only some years in the future, when both the political and the policy landscape may have changed. Furthermore, while the political benefits of project announcement are concentrated locally, the benefits from project completion would be shared nationwide. As a result, such projects, in Wisconsin and elsewhere, are likely to be driven largely by front-end effects unless encouraged by specific federal initiative or other external factors. For a state, and especially for political leadership,

the proof of a demonstration operated under the current system seems to lie not in the pudding of impact or the box of implementation but rather in the media play received by the program's initial advertisement.

In my earlier discussion of the administration's criteria for evaluating waivers, I argued that proposed demonstrations should either do something that might conceivably be made national policy or they should tell us something about people or organizations that is pertinent to doing the welfare job better. The Wisconsin demonstration seems to fail the first test, since the dramatically increased earnings incentives it creates would simply be too expensive to apply to all dependent households, especially when combined with a general expansion of eligibility for AFDC-UP. While costs may be controlled in the demonstration by restricting the program to mothers under 20, general implementation would require facing the substantial inequities that would exist were the PFRI incentives not extended to older women and AFDC-UP couples on public assistance as well. Nor will we learn anything about behavior from this demonstration, since behaviors engendered by the plan would be, if anything, responses to a lottery that would not exist in a nonexperimental setting. Were PFRI to be generally implemented as it is constituted in the demonstration, it would create a substantial incentive for young couples with low skills to marry as teenagers and to have a child right away in order to assure themselves of access to the generous treatment of earnings and qualifications incorporated in the initiative. Encouraging teenage pregnancy is rarely on the agenda of welfare reform. The bottom line is that all we will learn is whether or not a particular payoff will cause some young parents to decide to live together and to assume formal joint responsibility for their offspring. Such a discovery may not be worth the effort, or the time.

New Jersey Family Development Program³⁰

Description. The New Jersey Family Development Program (FDP) differs from the Wisconsin initiative in breadth of coverage and in its source. Rather than originating in the governor's office, it is the product of a legislative reform effort led by Camden Assemblyman Wayne Bryant. Broadly put, the legislation attempts to encourage single mothers receiving welfare to marry (and for men to marry them), to take employment, and to avoid additional childbearing.

The feature of the FDP that has been most widely reported is the elimination of AFDC benefit increments as new children are born to adults already receiving AFDC. In size and coverage, this change is much more significant than what has been proposed for Wisconsin. Like the Wisconsin plan, however, the restriction imposed by elimination of benefit increments for larger families is partially compensated for by raising the return to labor force participation. The manner in which this is accomplished has important implications that appear not to have been recognized by the initiative's authors.

The New Jersey benefit calculation procedure is best explained by a sample benefits calculation, which is an extended version of an example presented in the state's waiver proposal.³¹ Consider the single-parent, single-child example introduced for discussion of the Wisconsin initiative but now moved to New Jersey. Suppose again that the mother works half time at \$5.50 per hour, and has held the job for six months. The state's basic benefit (termed the "payment standard") for a family of two is \$322 per month. Under this circumstance, total payments will be \$322 minus "countable" income. Countable income is earnings minus the disregard or \$473 minus \$90 (the standard work-expense deduction) minus \$30 (the remaining federal incentive). This amounts to \$353. The woman loses AFDC eligibility by working this much, since countable income exceeds the

³⁰The program description presented in this section is taken from New Jersey Department of Human Services (1992).

³¹See New Jersey Department of Human Services (1992, p. 33).

maximum aid payment. Her gross income is her earnings, \$473. This calculation is set out in column 1 of Table 4.

Now, suppose that the family has another child. Under pre-demonstration procedures, the payment standard would go up to \$424 and, since neither earnings nor the disregard changes, the family is now eligible for an AFDC payment of \$424 - \$353, or \$71 (see column 2).³²

Under the Family Development Program, the addition of a child to the family does not increase the maximum aid payment, but now the disregard is the *greater* of two amounts: (1) the total federal disregard (\$120, in this case), or (2) one-half the payment standard for the family size *including* the newborn. The latter is \$212, so countable income is \$473 - \$212. This calculation is reported in column 3. The striking thing about this procedure is that, while it is true that the basic AFDC benefit for a family without earnings has not increased with the addition of a new child, the birth has changed the return from working. Under the old regime, \$473 in earnings increased gross income for a two-person unit by \$151 over what would be received without working, and the birth of the second child lowered this return to \$120 (but allowed the family to continue on AFDC and receive other benefits such as Medicaid). Under the new regime, addition of the second child raises the return to taking the same job to \$212.

Assessment. Setting aside the political issue of whether or not interventions of this type are appropriate, the FDP raises important issues of equity and impact. The equity issue is clear from Table 4. Consider two single-parent recipient families, each with two children, and let the only difference between the two families be that family *a*'s children were born prior to the father's desertion and the mother's subsequent application for welfare, while the last of family *b*'s children was conceived *after* the mother had become dependent upon the state. Assume also that in neither case

³²Note that the \$30 disregard would not be applied in determining the family's initial eligibility for assistance. In this case it doesn't matter.

Table 4

**Sample Benefits Computation
New Jersey Family Development Program**

(Single parent with one or two children, all income from AFDC or earnings, month 7 through 12 following job accession. In FDP rules case (col. 3), it is assumed that the second child was conceived while the mother was receiving assistance.)

	One Child	Two Child- ren, Current Rules	Two Child- ren, FDP Rules
Current AFDC Monthly Benefit: (Payment standard)	\$322	\$424	\$322
Gross Earnings (Assumes 4.3 weeks, 20 hours per week, salary \$5.50/hour)	\$473	\$473	\$473
Disregard, Current Procedure			
Less \$30 disregard	\$ 30	\$ 30	
Less \$90 work expense deduction	\$ 90	\$ 90	
= Countable Income	\$353	\$353	
Disregard, FDP Procedure			
Less \$30 disregard			\$ 30
Less \$90 work expense deduction			\$ 90
Less amount by which half of full payment standard (including newborn) exceeds federal work incentive and work expense deductions (\$120)			\$ 92
= Countable Income			\$261
Adjusted AFDC Benefit (Maximum benefit minus countable income)	\$ 0	\$ 71	\$ 61
Gross Income (Adjusted benefit plus earnings)	\$473	\$544	\$534

does the noncustodial parent contribute to the child's support. If mother *b* takes a \$473 job, the payoff will be an extra \$212 per month. If mother *a* does, the gross payoff after six months will be

just \$120, and this will fall to \$90 after a year, when the \$30 disregard is lost. Mother *b* will experience no such change. *After a year, mother b's gross income will exceed mother a's by \$20 per month.* It is doubtful that this differential, once grasped by the program's critics, will be politically defensible.

Now consider what the program really does for work incentives. It is common in analysis of labor supply to pay particular attention to the effect of incentives on the margin. The original \$30 and one-third disregard made work "pay" on the margin in the sense that an extra hour of work would increase income. But while the FDP assures that the rate at which benefits are reduced is zero for the first dollars of earnings, once earnings have reached an amount equal to half the payment standard, additional earnings produce nothing in gross income. Returning again to Table 4, the family of three with income as reported in the table's third column could allow earnings to fall by \$261--55 percent--without experiencing *any* change in circumstance. Under the pre-FDP system it was also true that the household would lose nothing from marginal reductions in work effort, but that's the point: while FDP raises the payoff to working over not working for families with new children, it does nothing for the marginal gain from effort. This example also reveals what is wrong with exhibits such as Table 4 as examples of outcomes: they disguise marginal incentives. These numbers indicate that while the FDP payments procedure may make a given amount of work pay more, it does not necessarily follow that the system reduces the incentives to work less. In contrast to the New Jersey program, the Wisconsin computation scheme both raises the return to a given amount of work and reduces the incentive to work less relative to procedures incorporated in existing regulations.

The New Jersey Department of Human Services initially attempted to avoid a random assignment evaluation design, since it was not incorporated in the enabling legislation. However, at the insistence of DHHS, the department was able to convince the bill's sponsors of the appropriateness of the requirement, and it was accepted. Given the horizontal inequity generated by the New

Jersey proposal, it seems unlikely that its principal component will be replicated elsewhere or that it will ever become part of national policy. The complex combination of fertility disincentive and work disincentive it creates will make it difficult to draw inferences from the results that will be pertinent to the design of general reforms. Thus on the criteria I have proposed for evaluation, waivers should not have been granted for the New Jersey demonstration.

California Welfare Reform Demonstration Project³³

Description. As befits the state's size and historical importance in welfare reform efforts, California arguably produced 1992's most wide-ranging state welfare initiative. Like Wisconsin's, this initiative was the product of the state's administration, with little input from the state's social services agency, in this case the California Health and Welfare Agency. Like the New Jersey proposal, this one covers innovations intended for general implementation, but unlike either the New Jersey or Wisconsin initiatives, the California plan was clearly motivated by an attempt to reduce welfare costs. The program has been given no official name other than "Welfare Reform Demonstration Project"; in the form proposed for approval as a voter initiative, the plan was incorporated in the "Government Accountability and Taxpayer Protection Act of 1992." This plan was rejected by California's voters in November, but, from the perspective of the present paper, the important fact is that the waivers it required were approved.³⁴ As a result, the details remain of interest, and I postpone discussion of its stripped-down replacement to later.

The major elements of the Welfare Reform Demonstration Project were:

- Two benefit reductions: First, an immediate reduction of benefits by 10 percent, across-the-board; second, a further reduction of 15 percent (from the

³³The description of California's welfare proposal is taken from California Health and Welfare Agency (1992).

³⁴The plan is proposed again in Governor Pete Wilson's budget for fiscal year 1994. See California Department of Social Services (1993).

level established by the 10 percent reduction) once receipt has continued for more than 6 months.³⁵

- Enhancement of work incentives by elimination of the duration restrictions on the \$30 and one-third earned income disregard and elimination of the 100-hour rule in AFDC-UP, once welfare eligibility is determined.
- Elimination of increments in benefits for additional children born to recipient families.
- Enhancement of incentives for teen parents to attend school or an equivalent vocational or technical training program. Shift to financial sanctions and incentives for school attendance.
- Provision of a voluntary job club placement program for AFDC applicants and recipients not served by GAIN, the state's welfare-to-employment program (described in Table 1).
- Restriction of benefits for new arrivals to California to the lesser of benefits paid in their state of last residence or the level available in California.

As was the case for the Wisconsin and New Jersey proposals, California's plan was a complicated mélange of initiatives, but its core was a reduction in benefits that was offset, for families with earnings, by an enhanced disregard. This offset was to be handled differently, with different consequences, in California from the way it was designed in New Jersey.

Once again, the potential impact of the change is best illustrated by an example. Table 5 calculates benefits for a family of three with earnings of \$473 before and after the change, and also illustrates the consequences of the birth of an additional child "conceived while either the father or mother is receiving aid." California's AFDC system distinguishes between an eligibility or needs standard, the "Minimum Basic Standard of Adequate Care" (MBSAC), and a schedule of maximum aid payments (MAP, i.e., the payment standard). Both differ by family size; for all sizes, maximum aid is less than the MBSAC. With no earnings, the family's AFDC payment is \$663. Families with

³⁵The additional reduction is eliminated for certain special cases including cases with elderly adults and cases involving teen parents in Cal-LEARN.

earnings are allowed to disregard not only \$90 for work expenses and whatever federal incentive is applicable, but the difference between the MBSAC and maximum aid as well. Again assuming we are considering the seventh month following job-taking, column 1 shows that the AFDC payment for the hypothetical family amounts to \$341, which produces a gross income of \$814 when combined with earnings. The gross gain from working is \$151, and at this point a dollar reduction, or increase, in earnings does not change gross income at all. (As in the Wisconsin and New Jersey examples, these calculations do not include food stamps or other benefits.)

Under procedures in effect before the introduction of the new California initiative, an additional child would increase the need and payment standards to \$824 and \$788 respectively and cause both AFDC payments and gross income to increase even without a change in earnings (column 3).

Now, consider the consequences of the state's proposed system for the family of three (Table 5, column 2). After six months, the family would have been subject to both the 10 and the additional 15 percent grant reduction, so the maximum aid payment would be \$507. However, the MBSAC does not change, and the disregard of one-third of earnings in excess of \$120 has been extended, so a considerable amount of earnings is now disregarded: \$238 for combined work expenses and the \$30 and one-third provisions [$\$120 + .333 \times (\$473 - \$120)$] plus the \$187 difference between the MBSAC and MAP for a total disregard of \$425 out of earnings of \$473! The AFDC payment therefore falls by \$48 to \$459, and the family ends up with a larger gross income than was the case before. The fact that a family *with earnings* would have been better off under the new system than the old was emphasized by spokespersons for the Wilson administration, but opponents pointed to the substantial reductions faced by families dependent upon the MAP alone (see row 2).

Table 5
Sample Benefits Computation
California Welfare Reform Demonstration Project

	Family of Three, before Initiative	Family of Three, after Initiative	Family of Four, before Initiative	Family of Four, after Initiative*
Need Stan- dard (MBSAC)	\$694	\$694	\$824	\$824
Payment Stan- dard (MAP)	663	507	788	507
Earnings	473	473	473	473
Disregard	151	425	156	555
AFDC Pay- ment	341	459	471	507
Gross Income	814	932	944	980

*Assumes the last child was conceived while the family was receiving assistance.

Source: Based on program description in California Health and Welfare Agency (1992) and California Department of Social Services, Manual of Policies and Procedures, various sections (1992).

As in the New Jersey case, we next consider the effect of an increase in family size. For families with no earnings, an additional child produces no change in AFDC payments. However, for a family with earnings, an additional child can produce increased gross income with constant earnings because, as in the New Jersey case, an additional child increases the amount of earned income disregarded. But the work incentives incorporated in California's plan apply to all households with earnings, not just those that have increased in size. This reintroduction of the perpetual \$30 and one-third disregard means that some families could remain indefinitely on public assistance despite receipt of earnings in excess of the maximum amount consistent with welfare eligibility. Here's what I mean: Under the new system, eligibility for a family of three can be achieved if monthly earnings

are less than $\$694 + \$90 = \$784$, that is, if earnings net of the work-expense allowance fall below the standard of need (and the household has, as assumed, no other income). But once a family is receiving welfare, application of the \$30 and one-third disregard means that eligibility for payments will be lost only when earnings reach \$1,161.³⁶ Thus a family with earnings of \$800 would be turned down for assistance, but a family with earnings of \$1,000 that had achieved eligibility at lower earnings levels would be entitled to a payment of \$137 per month and Medicaid (Medi-Cal in California). As mentioned earlier, it is precisely this inequity that led another Republican governor, Ronald Reagan, to propose unsuccessfully restrictions upon the \$30 and one-third disregard in 1971 and, using the advantages of the presidency, to bring about a time limit on its application in 1981. In welfare, *plus ça change . . .*

The California proposal was for a statewide policy change. Therefore it was necessary that the reference group for the evaluation of the demonstration's impacts and costs be a "control" group of cases exempted from the new regulations. The evaluation plan initially accepted by DHHS called for a sample of approximately 2,500 cases to receive AFDC under terms in effect prior to the current initiative.³⁷ DHHS accepted a sample plan focused on two clusters of four counties each, one in the north and one (which includes Los Angeles) in the south. In each group, initial assignments to the "treatment" group were to be made only from the existing caseload in two counties, with additional treatment cases added from applications over time to maintain the sample size as cases close.

The draconian welfare cuts proposed in the California plan reflect the state's staggering budget deficit, estimated variously at between \$6 and \$10 billion for fiscal 1993. The state's waiver application forecast annual savings of approximately \$600 million to state and county governments

³⁶If earnings are \$1,161, the disregard is \$90 (work expenses) + \$30 (the basic disregard) + $.333*(1,161-120)$ (the 1/3) + 187 (the difference between the MBSAC and the MAP), or \$654. Thus income counted against the grant is $\$1,161 - 654 = \507 , the amount of the grant.

³⁷U.S. Department of Health and Human Services, Administration for Children and Families, "Waiver Terms and Conditions: California Welfare Reform Demonstration," June 29, 1992.

from implementation of the proposal. The logic of the crisis called not only for the cuts themselves, but also for rapid implementation. The state's welfare administration originally planned for implementation by August of a proposal that was only transmitted to Washington in May. As in the other projects, the terms called for comparing costs for the treatment cases to costs for the control set of families. Evaluation of demonstration costs in this fashion was to begin after one year of project operation.

Assessment. Here, as in the New Jersey case, it appears that little of general policy relevance would have been learned from the demonstration had California's voters not rejected it in 1992. As was true for the Wisconsin program, the treatment had so many components that for the most part it would have been impossible to identify the source of differences between the control and experimental groups that might have been observed. Whatever the effects, the changes would not have provided a reliable representation of long-term behavior of recipients under the new system. This is because the preponderance of cases in the sample would have been conditioned by experience with welfare as previously operated and because of the inevitable administrative turmoil a set of regulation changes as broad as was contemplated by the California Welfare Reform Demonstration was sure to produce.

Like New Jersey's Family Demonstration Program, California's welfare demonstration plan has features that call for more careful analysis than could be done in the context of budget crisis or facilitated waiver approval. In the California case, the issue involves more than the potential for public relations problems. One example is the proposed elimination of the AFDC-UP 100-hour rule. Very little is known about families receiving AFDC-UP, but most available evidence points to substantial caseload turnover in this group and a sizable pool of families that might be expected to apply for assistance if eligibility standards are relaxed. It appears that the state paid little attention to

this problem, in part because planners were misinterpreting the results of another welfare demonstration.

As Table 1 indicates, California has been involved for some time in a multicounty demonstration of the consequences of applying the 100-hour rule only in establishing initial eligibility. In an early, small-scale experiment of this type in Merced County, available data seem to indicate that benefit costs actually fell for treatment cases relieved of the 100-hour requirement, apparently because of greater work effort.³⁸ But this is an excellent example of how "rigorous" evaluations may lead policy far astray. The Merced experiment involved half the caseload. As a result, information about the availability of AFDC-UP under new terms was probably not widely promulgated, and even if it had been, the system presented a Wisconsin-like lottery to potential applicants, since not all applicants for AFDC-UP were granted immunity from application of the 100-hour rule. But AFDC-UP would be generally available under the terms of the Welfare Reform Demonstration Project to any low-income family which experiences a spell of unemployment during the year. Once on, such families can resume employment--if it can be found--and continue to benefit from Medi-Cal and AFDC even as earnings rise to levels that would preclude eligibility even were the 100-hour rule *not* applied on intake. The caseload and behavioral consequences simply cannot be assessed using the procedures dictated by the administration's approach to cost neutrality. But the change may well have dramatic

³⁸The evaluation of the "HAPEE" (Helping AFDC Parents Enter Employment) project (Data Management Systems/Associates, 1992) is seriously flawed. While the "Project Summary Report" reports comparative data on control and experimental groups, it does not explain how assignment was conducted and appears to average earnings and payments data only over cases which stayed on welfare. If elimination of the 100-hour rule meant that some families were able to continue eligibility who otherwise would have lost it, it is quite possible that the procedure would show an increase in average earnings and reduction in welfare costs per family for the experimental group relative to the control group even though, in fact, the program raised costs and reduced turnover. A related study in Fresno County had similar results and similar flaws (Fresno County Department of Social Services, 1991).

effects, with uncertain political, economic, and social consequences. It should not be undertaken in the rush for short-run deficit reduction.³⁹

Like the Wisconsin and New Jersey initiatives, the California WRDP attempted to encourage work by increasing the amount a recipient family can earn without loss of welfare benefits. The usual approach to analysis of such changes is to consider the effect on behavior of the recipient. But consideration must be given also to the administrative and labor market consequences. A growing body of evidence suggests that many AFDC families supplement what they receive from public assistance with earnings and income from other sources.⁴⁰ Eligibility workers in welfare systems know this, but since unreported income is difficult to discover and in no state does the sum of AFDC and food stamp payments reach even the official poverty level, the practice is commonly ignored. An expansion of the official "disregard" to create a more generous treatment of the first dollar of earnings is sure to encourage an even greater administrative disregard, because it reinforces the idea that first dollars aren't important. On first consideration, this might appear acceptable, indeed humane.⁴¹ But the problem is that most of the jobs that provide supplemental income are irregular, with little or no connection to the kinds of employment that provide fringe benefits such as health

³⁹Unpublished simulations conducted by the Urban Institute using the TRIM-2 model suggest that the WRDP would have increased the California AFDC-UP caseload by 28 percent, but the cost increase associated with this change would have been sufficiently offset by benefit reductions in the AFDC programs as a whole that the overall impact of the change would be a reduction of 16.5 percent in AFDC costs by the end of the first year and as much as 21 percent after five years had passed. These simulations assume "no behavioral effects" of the change. But applying the 100-hour rule only on entry makes a spell of unemployment "pay" for a low-income two-parent household, since once such a family has qualified for AFDC benefits it will be able to resume employment and receive both AFDC and Medicaid benefits. It seems possible that such a reward could induce strategic behavior on the part of potential recipients. The waiver terms and conditions called for the state to submit an evaluation plan which included "a study of the entry effects of WRDP and the impact that WRDP has on migration to California from other states. These components of the impact evaluation will be accomplished using nonexperimental methods." "Waiver Terms and Conditions, California Welfare Reform Demonstration Program," typescript provided by California Department of Social Services, June 29, 1992, p. 14.

⁴⁰For an example of reports of this type, see Jencks and Edin (1990) and Harris (1992).

⁴¹Expanding the disregard is an attractive option for reformers, for it can be accomplished under existing Social Security regulations by manipulating a state's "need" standard and payments calculation procedures. For a discussion of the method, see Greenberg (1992b).

insurance and access to career opportunities. Lower AFDC benefits will increase the urgency of finding this sort of work and substituting it for training or other activities with greater long-term payoff. Faced with a budget crisis of the magnitude of California's, it is difficult to think of the long run. But the only long-run opportunity for getting people off of welfare and keeping them out of jail is legitimate employment. Encouraging anything else is surely counterproductive.

In November 1992, California's voters rejected the Wilson initiative and the Welfare Reform Demonstration Project. As Table 2 indicates, the state legislature had authorized a more modest waiver package which was approved by DHHS in October. The Assistance Payments Demonstration Project also lowers benefits, but the revised program eliminates the two-step process incorporated in the WRDP.⁴² The 100-hour rule waiver and differential welfare benefits for new entrants are retained. The waiver includes provision for elimination of the time limit on application of the \$30 and one-third disregard, but given the more obvious hazard of cost overrun with this provision, it appears that it will not be implemented.⁴³ Again, the treatment is applied statewide and is to be evaluated by exempting from the reductions certain cases located in four counties and comparing their subsequent experience to that of cases to which revised regulations are applied. Like the WRDP, the new waiver appears principally to be a vehicle for reducing benefits.

⁴²Normally, reduction of benefits does not require a waiver at all. However, when combined with reductions already enacted, the California changes would have pushed benefits below the level in place in 1988. In the absence of countervailing action, this would lead to reduced federal participation in Medicaid costs. The waiver granted assured sustained federal financial participation.

⁴³California Department of Social Services, "All County Information Notice No. I-49-92: Implementation of AFDC Program Changes Enacted in the Budget and Companion Legislation," September 21, 1992.

The New Proposals in Perspective

My conclusion from review of the Wisconsin, New Jersey, and California waiver proposals is simple and obvious: Regardless of motivation, these proposals are not well thought out, and they offer little promise of any substantive contribution to welfare policy. However, it is important to note that my "sample" was selected on the basis of media attention, not policy interest. This biases impressions about the collection of proposals made in 1992, for Table 2 includes some important ideas that for various reasons have not received the attention accorded the California, New Jersey, and Wisconsin proposals.

Here are three examples of ideas worthy of attention (there are many in the proposal collection): the Illinois proposal to eliminate the work history requirements for AFDC-UP eligibility for young (age 18-24) two-parent families; (2) the Utah plan to create a system of one-time payments to divert certain applicants from welfare through employment and child support; and (3) the Vermont plan to experiment with a "time-limited" strategy in which initial eligibility standards and payments computation standards are liberalized, but cases remaining on the rolls after a certain period of time (the criterion differs for one- and two-parent families) shift to a system requiring employment. The Illinois strategy appears to be an appropriately conservative approach to expanding support to two-parent households that is similar in some respects to the Wisconsin PFRI; the Utah plan offers an opportunity to examine alternative strategies for dealing with families beset by severe but transitory financial problems; and the Vermont initiative is a specific (and possibly opportunistic) attempt to evaluate the administrative feasibility of a version the time-limited welfare reform proposed some years ago by David Ellwood (1988) and espoused during the campaign by President Clinton. The point is that despite shortcomings, the states have addressed important issues. The challenge is to find ways to better discipline the waiver process without stifling such creativity.

Where We Stand Today

The Last Days

In July 1992 President Bush announced additional elements of the administration's strategy for welfare reform.⁴⁴ He affirmed his administration's encouragement of state waiver requests and proposed expanding waiver authority in a range of programs to allow development of "coordinated incentives" in AFDC, housing, and food assistance programs. A Community Opportunity Pilot Project Act (COPP) was proposed to enable a set of states to initiate "broad reform programs that cut across multiple program lines." Very broad flexibility would be granted states in designing and operating these programs. The president suggested that latitude granted states in applying work requirements for recipients should be increased.

COPP died even before the election, but waivers were granted right up to the week of the Clinton inauguration.⁴⁵ These demonstrations, like the deficit, will live on to influence policy-making throughout at least the first term of the new administration. My summary judgment is that this longevity is unfortunate, because the complexity of the major proposals, the special circumstances of their introduction, the occasionally egregious flaws in their construction, and in some cases their peculiarity make it unlikely that the analysis of their effects, required as a condition of receiving waivers, will provide information useful to national policy.

Four Lessons

Beyond this pessimistic overview, what are the lessons to be learned, or at least relearned, from the welfare policy experience of 1992? I count at least four.

⁴⁴The announcement, which was made in Riverside, California, was given little media coverage. The summary here is from a "Fact Sheet" and related materials on legislative proposals distributed by the president's press secretary on August 14, 1992.

⁴⁵The last one under the wire appears to have been, perhaps appropriately, for Wisconsin.

- Welfare reform continues to be an important political issue.

The approved waivers constitute only a part of welfare-related action in the states. There is no reason to believe that new proposals for waiver-based demonstrations will not arise in 1993. While it may be appropriate to focus reform efforts outside the system—for example on health care—it will not be possible to ignore the direction of state welfare policy and its experimental component. A new administration must develop a new waiver policy.

- States cannot be expected to coordinate efforts at experimentation.

The apparent harmony of the influential welfare-to-work demonstrations of the early 1980s is attributable to the limited range of discretion permitted by the Omnibus Budget Reconciliation Act of 1981 and the underwriting of evaluation efforts by the Ford Foundation. Without leadership, effort and time will be dissipated in demonstrations too disparate for synthesis and too idiosyncratic for credibility as a basis for national policy-making. Ways must be found to focus future state efforts without losing innovation, perhaps through a subsidy that exceeds the normal administrative cost share.

- "Rigorous evaluation" isn't enough.

There are three facets to every good policy-relevant demonstration. One is the conceptualization of the intervention to be tested. The second is its implementation. The third is appropriate evaluation. Somehow in the mid-1980s it became common to believe that "rigorous evaluation" was the key to assuring relevance and replicability. Surely the collection of demonstrations that the combination of laissez-faire with random assignment produced in 1992 has laid this notion to rest. The lesson is that leadership is needed, and technical assistance as well.

- Welfare is complex.

Perhaps the most significant accomplishment of Reagan-Bush waiver policy has been the interagency coordination achieved in establishing the cost-neutrality principle and recognizing the linkages among

the many income transfer policies in which the federal government participates. The Community Opportunity Pilot Project Act attempted to push this coordination further. While not necessarily endorsing COPP objectives, I believe it is important that the precedent for coordination not be lost. I have argued that the collection of state waiver demonstrations authorized in 1992 is incoherent and flawed. The same can be said for the collection of transfer programs already in operation. If states are to be asked to coordinate welfare experimentation, the federal government must continue and expand coordination from its side.

Afterword

On February 2, 1993, George Bush's successor, President Bill Clinton, provided a first glimpse of what the new administration's waiver policy might be, in an address to a meeting of the National Governors' Association.⁴⁶ In his remarks the president lauded the Family Support Act as "the most significant piece of social reform in this [welfare] area in the last generation," but argued that it had never been fully implemented because of underfunding, the recession, and an explosion of welfare rolls and welfare costs attributable to both the recession and health care cost inflation. He called for full funding of the Family Support Act, time limitation on training-program participation, an expansion of the Earned Income Tax Credit, tougher child support enforcement, and more waivers:

[W]e need to encourage experimentation in the states. . . . There are many promising initiatives right now at the state and local level, and we will work with you to encourage that kind of experimentation. I do not want the federal government, in pushing welfare reforms based on these general principles, to rob you of the ability to do more, to do different things.

⁴⁶All materials from the president's speech quoted or summarized in the following paragraphs are taken from a transcript provided by the National Governors' Association.

The president went on to assure the governors that he would approve waivers for experiments of which he did not approve, with a proviso:

And the only thing I want to say, to ask you in return, is let us measure these experiments and let us measure them honestly so that if they work, we can make them the rule. . . . That's the only thing I ask of you, if we say, okay, we're going to have more waivers and you're going to be able to experiment in projects that use federal dollars, let's measure the experiment, let's be honest about it. And if it works, let's tell everybody it works so we can all do it, and if it doesn't, let's have the courage to quit and admit it didn't.

With respect to waivers, the only difference between the policy announced by President Clinton and that pursued by President Bush is that Clinton failed to mention cost neutrality. It appears that forceful leadership in directing waiver policy is once more being withheld to obtain political support for initiatives and problems of more immediate interest to the president and his advisers. It is not clear that a strategy of endorsing whatever states propose is really necessary; the experience of the last year suggests that little good will come of it. While the president lauded state efforts in his speech, his policy denigrates them. If waiver-based state demonstrations really have a role to play on the stage of welfare reform, some attention should be given to the script.

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