University of Wisconsin–Madison
Institute for Research on Poverty

Focus

Volume 15

Number 1

Spring 1993

ISSN: 0195–5705

Child poverty and welfare reform: Progress or paralysis?

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Introduction

Welfare in the United States has long been identified with the Aid to Families with Dependent Children (AFDC) program—the most visible source of public income support for poor children. Welfare reform, therefore, typically is defined as a significant modification of the scope, generosity, design, or administration of that program.

Every president since Harry Truman has declared welfare reform a priority at some point in his administration. Yet, in its basic form, AFDC remains the same program that was created some sixty years ago as a minor provision in the Social Security Act. It is still a categorical welfare program: categorical in that benefits are tied to having responsibility for a dependent child; welfare in that benefits decline, or cease altogether, as one's economic position improves.

President Clinton will, like the majority of his recent predecessors, tackle the issue of welfare reform. He expressed his feelings quite clearly to the National Governors' Association in early February:

> No one likes the welfare system as it currently exists, least of all the people who are on it. The taxpayers, the social service employees themselves don't think much of it either. Most people on welfare are yearning for another alternative, aching for the chance to move from dependency to dignity. And we owe it to them to give them that chance.[2]

Undoubtedly, the president will seek to articulate and implement what he has called a "New Covenant." This new covenant probably will, among other things, include ways by which government can better assist working poor families with children, articulate a new social contract between government and welfare beneficiaries in which work substantially replaces income supports as the basis for helping those family heads whose attachment to the labor force is marginal, and establish a new working relationship between Washington and the states through which the design, implementation, and evaluation of this new vision will be realized.

If history is any guide, prospects for the New Covenant are not favorable. Substantive change of AFDC is not likely to completely please anyone and is more likely to offend virtually everyone. If nothing else, AFDC is cheap—representing less than 1 percent of federal expenditures and generally less than 5 percent of expenditures in most states.[3] It is also a technology that government has mastered. We know how to collect revenues through the tax system and how to distribute income through a variety of transfer systems. The world becomes much more complicated when we require the public sector to go beyond these basic operations.

The critical policy question is whether AFDC remains a compassionate response both to the plight of disadvantaged children and to those charged with their upbringing. The critical policy choice is whether substantive reform should take place within the categorical, welfare framework, or must the seekers of that holy grail look elsewhere?

Poverty among children

It is often said that the test of a society's compassion is how it treats its most vulnerable members—the old and the young. Our national commitment on behalf of the elderly has resulted in observable improvements in their economic well-being over the past three decades.[4] In 1959, more than a third of all aged persons were poor. Today, their poverty rate is less than the overall national average of 14.2 percent.[5]

The young in this country have not fared as well.[6] More than one child in five is now considered poor, and 40 percent of all the poor are children. These numbers assume greater meaning when considered in a comparative framework. One reasonable comparison is poverty rates across population groups. A child in 1991 was twice as likely to be poor as a prime-age adult and almost twice as likely to be poor as an elderly person.

A second reasonable comparison is poverty over time.[7] The poverty rates for both children and the elderly were halved between 1959 and the mid-1970s. While progress against poverty among the elderly continued, child poverty first stalled in the 1970s and then reversed direction in the 1980s. Over the past 15 years, the child poverty rate increased by about one-third. The number of poor children has increased from less than 10 million in the late 1970s to over 14 million today.

International comparisons, however, afford the most striking contrasts. In early comparisons (circa 1979–81), child poverty among those industrialized countries for which data exist was greatest in the United States—over three times the Swedish and Swiss rates, more than twice the West German rate, and about 80 percent higher than the rate in Canada. A more recent analysis based on mid-1980s data proved more disturbing. The U.S. rate was more than twice that of the United Kingdom and Canada, four times the French rate, and over ten times the Swedish rate.[8]

Despite an apparent deterioration in the economic well-being of American children, the reform discussion in this country has focused almost exclusively on the question of dependency—the failure of adult welfare recipients to become self-sufficient. Reform, consequently, has been operationalized as reducing welfare costs and caseloads, a laudable social objective.

Reducing welfare dependency is actually quite straightforward as a policy challenge. One could reduce the generosity of benefits and make access to benefits more difficult, the tack which pretty much sums up welfare policy in recent years. But this may have little to do with helping poor children, as evidenced by growing child poverty rates. On the other hand, substantially reducing child poverty is certainly feasible in the short run. We could restore the generosity of AFDC benefit levels to a point where they might serve an antipoverty purpose. By definition, however, this would increase welfare dependency.

Thinking about how to respond to the related challenges of welfare (i.e., AFDC) dependency and child poverty is the central theme of this article. We start by looking at the problematic character of doing welfare reform and then at the changing nature of the child poverty challenge.

Cycles of AFDC reform: The rise and fall of welfare entitlements

AFDC (originally ADC or Aid to Dependent Children) was incorporated virtually without debate into the Social Security Act of 1935.[9] The program provided federal support to financially strapped states trying to maintain systems of mothers' pensions during a national depression. It was expected that the program would become superfluous as more and more widows and children came under the protection of Social Security. Moreover, AFDC was specifically designed to keep certain impoverished mothers (e.g., widows) out of the labor force so that they would not compete with men for scarce jobs and so they could fully attend to their caretaker responsibilities—provided they followed behavioral rules laid down by the states.

For over three decades AFDC benefits typically were conditioned on the behavior of the recipient. A host of criteria were applied to determine whether beneficiaries of public largess were "fit" to receive help. Ties to the local community were examined. Sexual practices were monitored. In some jurisdictions, school attendance and performance were reviewed. Particularly by the 1960s, cash welfare assistance was often offered in concert with intensive services designed to help the caretaker parent achieve self-sufficiency.

The War on Poverty that emerged in the early to mid-1960s was a response, in part, to the fact that neither poverty nor AFDC disappeared despite a vigorous economy. The rising economic tide was not lifting all boats. As part of this "war," the poor and the welfare-dependent were to be offered a "hand up," not a "hand-out." But the task of changing people and communities taken on by the early poverty warriors proved technically difficult, politically problematic, and extremely expensive.

Between the mid-1960s and mid-1970s, an "income definition" of poverty emerged. Poor people were perceived as differing from the rest of society primarily in their lack of money, and the solution was to correct the income shortfall in a simple, efficient, and standardized manner. Services were separated from cash assistance. Flat grants as opposed to individualized budgets were introduced. Client protections were strengthened. In terms of program design and administration, AFDC became an entitlement, with benefits based almost solely on categorical status (single parenthood) and economic need. Much of the machinery of the War on Poverty was dismantled. Government was getting out of the people-changing business, except for change that could be obtained through altering economic incentives.

This transformation had several motives, some well intentioned and others born of frustration. It was generally agreed that behavior-conditioned assistance was labor intensive and costly. It was also argued that services were ineffective and social workers intrusive and abusive.[10] In any case, rising caseloads—a trend abetted by a series of court decisions and administrative rulings that made welfare assistance more accessible to poor children as well as by more generous benefits—rendered moot any further discussion of individualized treatment of recipient families.

In an entitlement program the efficiency principle predominates—provide benefits in a simple and standardized fashion unfettered by onerous conditions. The federal government took the lead in proposing improved methods of distribution of benefits. Several national mega-plans, ranging from universal demogrants to variants of the negative income tax concept, were considered in the period 1965–78.[11] The Family Assistance Plan introduced by President Nixon came closest to enactment.[12]

The world view supportive of an incomes solution to child poverty came under serious attack in the late 1970s. By the early 1980s, a new paradigm had clearly emerged. Explanations of poverty shifted once more toward individual factors (i.e., behavioral dysfunctioning) and away from institutional factors (i.e., market failures). The challenge of chronic and geographically concentrated poverty—often referred to as the "underclass" issue—gained scholarly (though not necessarily policy) attention. And the locus of action shifted to the states.[13]

FOCUS is a Newsletter put out three times a year by the

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Focus is free of charge, although contributions to the U.W. Foundation–IRP Fund sent to the above address in support of *Focus* are encouraged.

Edited by E. Uhr.

Slowly at first, and then with increasing celerity, state-sponsored welfare demonstrations were undertaken. These demonstrations drew from the rich tapestry of reform themes that had accumulated in the past. Ancient issues and concerns were discussed as if they were revealed for the first time. Time-worn solutions were rehabilitated as if they were pristine insights. Under the sobriquet of the "new social contract," the basic welfare structure that prevailed as recently as two decades earlier was partially restored.[14]

The passage of the Family Support Act (FSA) in 1988 was hailed as a fundamental restructuring of the welfare approach to helping poor families and their children. The Job Opportunities and Basic Skills Training Program (JOBS) provisions of FSA presumably would make self-sufficiency rather than income support the guiding principle of the system. It was a bipartisan product of hard political negotiation and compromise—a grueling political exercise that prompted its chief congressional sponsor, Senator Daniel Patrick Moynihan, to later lament that no further substantive reform would be forthcoming in this century.[15]

Whether the performance of FSA can match the expectations attached to it at its inception remains in doubt. The legislation directed the states to carry out reforms, paid for, only in part, by federal funds. Only about one state in five invested enough of its own resources to draw down the full amount of federal dollars available to run the JOBS program in that state.[16] AFDC caseloads and costs went up, not down. And 1.9 million additional children fell into poverty between 1988 and 1991.

The cacophony of reform

Despite repeated real or imagined failure, welfare "reform" and poverty "wars" continue to preoccupy those engaged in the practice of public policy. They are captured by the vision of Mount Everest, of scaling heights that appear daunting to most. And they often are oblivious to the sucking swamp that saps even the most dedicated within almost ineluctable technical and political quagmires.

The simplistic flow of events depicted above does not capture the often frenetic pace with which reform concepts were debated, designed, tried, and discarded. From the moment it became apparent in the 1950s that social insurance programs would not replace welfare (as envisioned by the original architects of the Social Security Act), a variety of reform strategies have been tried. Some focused primarily on dependency reduction. Others stressed poverty reduction. Some specifically targeted welfare recipients. Others were directed at all the poor, including the aged, youth, and unemployed. Following is a summary of major themes:

- *Social service strategies.* Modestly undertaken in 1956 and greatly expanded in 1962, the concept was that social workers would counsel recipients out of poverty and dependency. The credibility of this approach evaporated when caseloads began to increase at an accelerating rate. This approach can be traced back to the "friendly visitors" of the scientific charity movement in the late nineteenth century. It reemerges as part of the tough-love and social-contract initiatives discussed below.

- *Institutional strategies.* As part of the War on Poverty and Great Society effort, programs were initiated to revitalize social and political institutions at the local level. It was an attempt to empower individuals and neighborhoods, a strategy consistent with the "blocked opportunity" thesis that informed and shaped the War on Poverty. These initiatives (e.g., model cities, community action programs) encountered severe political problems and most were short lived. In the 1980s enterprise zones and public housing "ownership" initiatives were suggested to counter disinvestment and disorganization in disadvantaged areas.

- *Human capital strategies.* By the early 1960s, it was argued that some were poor because of insufficient skills and education. The remedy was to enhance their earnings capacity and improve their competitiveness in the labor market. That is, their human capital was to be increased. Undertaken in the early 1960s with the Manpower Development and Training Act (for the disadvantaged in general) and the Community Work and Training programs (for welfare recipients), this approach was greatly expanded for AFDC clients with the introduction of the Work Incentive Program (WIN) in 1967. Since then, there have been numerous shifts in program design and administration (as well as names), but the approach continues under the federal JOBS initiative as well as residual initiatives from the War on Poverty, such as Head Start. A second human capital strategy involved enhancing the motivation of welfare recipients to enter the labor market. The marginal tax rates imposed on AFDC recipients (the rates at which their benefits were cut as their earnings increased) were reduced to allow working adults to keep part of their grant after securing employment (between 1967 and 1981) and by providing income help to the working poor through the tax system (e.g., the Earned Income Tax Credit).

- *Job creation and subsidization strategies.* Public Service Employment (PSE) jobs were used to offset deficient demand for disadvantaged job seekers. At the height of the New Deal of the 1930s, some 4.6 million jobs were created, covering about a third of the jobless. PSE strategies continued to be in favor, at least sporadically, until the 1980s, when private sector solutions to insufficient demand for labor gained favor. Unpaid public employment as a condition for getting welfare (i.e., workfare) was introduced in the mid-1960s and has been employed sporadically since. A variety of subsidies to employers (wage-bill subsidies) to offset the costs of hiring disadvantaged job seekers have been tried—becoming a major strategy in the late 1970s. The Targeted Jobs Tax Credit and WIN Tax Credit are two such subsidies. Yet another variant of this approach is the AFDC grant diversion program.

- *Income strategies.* The best example of the income approach to reducing poverty was found in the several comprehensive federal mega-plans proposed during the 1970s: Nixon's Family Assistance Plan, Senator George McGovern's universal demogrant proposal, and Carter's Program for Better Jobs and Income. Their roots can be traced back to proposals for a negative income tax, initially suggested by Milton Friedman and others during the 1960s. A more subtle expression of this approach is found in the rather unplanned increase in the generosity of welfare guarantees and the easing of restrictions to obtaining benefits that took place in the 1960s and early 1970s.

- *Child support strategies.* The changing composition of the AFDC caseload—proportionately fewer widows with children and more women with children whose other parent was alive but absent from the home—eventually led to a series of initiatives designed to ensure that both legally liable parents contribute to the economic well-being of their children, whether or not they were living with them. Though some federal activity was taken as early as 1950, substantive reforms were not carried out until the creation of the federal Office of Child Support Enforcement (OCSE) in the mid-1970s. This reform strategy was strengthened by federal legislation in 1984 and 1988 (the Family Support Act).

- *Macroeconomic strategies.* For several decades, monetary and fiscal policy has been used as a tool for addressing poverty. The Kennedy tax cuts of the early 1960s, and their alleged positive effects on a sluggish economy, were seen as evidence that the economy could be fine-tuned and used as a weapon against economic want. Until the 1980s demand-focused approaches (e.g., increasing the money supply or increasing spending on public works projects) were favored. Since then, so-called supply-side approaches (e.g., lower marginal tax rates on individuals and businesses) have come into favor. The principle has remained the same; a strong economy is essential to reducing poverty and dependence. That is, a rising tide will lift all boats.

- *The "make work pay"*[17] *strategy.* This approach has been supported by an increasing number of economists who trade in poverty policy. It is conceptually similar to some aspects of the job creation and subsidization initiatives introduced as far back as the 1960s. The underlying principle is simple: work ought to be a rational option; those adult AFDC recipients who work more ought to have more income; those who really play by the rules and work full time ought to be able to get their families out of poverty.

- *The "make 'em suffer" strategy.* The "make 'em suffer"[18] label refers to a broad set of proposals to impose penalties on what are classified as inappropriate or counterproductive behaviors. Benefits are conditioned on such positive activities as school attendance, partaking in work-preparation activities, immunizing children in the care of the recipient, not having more children while on public assistance, paying the rent, or avoiding certain felonious activities such as illegal drug use or dealing. The recipient is obliged to engage in specific activities to get full benefits. In reality, the "tough love" innovations of the 1980s did little more than resurrect provisions widely used in the "fit home" criterion of the preentitlement era.

- *Social contract strategies.* The term "social contract" is used to describe a current approach to reform.[19] In principle, this approach balances both institutional and individual explanations for poverty/dependence as well as both liberal and conservative approaches to reform. That is, it would borrow elements from both the "make work pay" and the "make 'em suffer" approaches noted above. The recipient is obligated to work toward self-sufficiency, and government is obligated to provide the instruments and opportunities that will enable the individual to reach that goal.

- *The "thousand points of light" strategy.* The "thousand points" strategy is discussed more fully in the companion piece on state waivers in this issue of *Focus.*[20] Essentially, it means that there are to be no more "solutions from the center." Each state is encouraged to seek its own solutions to the problem of welfare.

With so much effort, why has there been so little progress, particularly in reducing child poverty? Part of the answer lies in how we do public policy; part lies in adverse social trends; and part lies in the fatal flaw of welfare.

Problems in "doing" social welfare policy

Arguably, there are serious deficiencies in the way we conduct public policy in the poverty/welfare arena. One set of failings can be summarized in what might be called the natural life cycle of doing welfare reform:

1. The Armageddon Complex: An issue or problem is discovered and thrust onto the policy agenda in a way that suggests imminent crisis.

2. The Mount Everest Complex: The call for change is broad and the definition of success is cast in exaggerated or hyperbolic terms.

3. The Columbus Complex: An old idea or reform theme is embraced with enthusiasm and treated as novel.

4. The Used Car Complex: The idea or concept is oversold—benefits exaggerated and costs (fiscal and unintentional consequences) understated—in order to get the policy or program adopted.

5. The Rose Garden Complex: The stunningly naive belief is maintained that (in most instances) the passage of legislation and the issuance of political statements about the legislation (or new policy) are the equivalent of having an operative policy or program.

6. The Blitzkrieg Complex: The time-line for design, introduction, and institutionalization of the policy/program often is woefully inadequate—typically based on a political rather than a program cycle.

7. The Scrooge Complex: The resources made available for the initiative are based on political and fiscal considerations rather than what is needed for the job.

8. The It's Good Because It's Mine Complex: Evaluation is overlooked, added on as an afterthought, or seriously underfunded in part because the calculus of "success" is measured in the aura of the original political victory.

9. The Details Are Beneath Me Complex: Not nearly as much attention is given to the unglamorous processes of implementing, institutionalizing, and improving the original idea as was given to the initial selling of the concept—particularly as key actors leave the scene.

10. The Don Quixote Complex: Goals shift, expectations diminish, and scapegoats emerge as available numbers inevitably fall short of the exaggerated expectations initially set. Policy attention turns to either a new challenge or a new solution.

Depending on the nature of the problem and the solution offered, the cycle going from excitement to disenchantment can take several years.[21]

There are exceptions to this pattern. This policy cycle appears particularly relevant, however, when the reforms are substantive and require long time-lines, when they are complex and require coordination, when they move beyond revenue generation and income distribution into the people- and community-changing realms, and when there is instability in the political arena and at higher policy levels.

Adverse trends

Shortcomings in the doing of public policy are only part of the challenge. In particular, part of the explanation for the persistence of child poverty is found in those larger societal trends that are imperfectly responsive to policy choices: (1) changes in patterns of family structure have increased the economic vulnerability of children;[22] (2) labor market realities make it difficult for mother-only families (where most poor children reside) to attain economic security; (3) the private child support system, while steadily being improved, remains inadequate; and (4) welfare-type assistance contributes less and less to the economic well-being of children.

Family structure

Over time, the poverty rate of mother-only families has hovered around 50 percent.[23] While this rate has not changed substantially, the number of mother-only families has increased dramatically. We have witnessed a demographic earthquake. Only about one family in eleven was headed by a single parent in 1960; today one in four is. Through the early 1980s, the number of divorces increased steadily and remains over one million per year. Today it is estimated that two-thirds of first marriages will eventually dissolve. Further, about one in four live births today are nonmarital, a trend of particular consequence among teen mothers. Though the number of teen births had declined until recently, the number of nonmarital births among teens has increased by over 200 percent. Demographers now estimate that more than half of all children will spend some portion of their minority years in a single-parent household. The economic consequences of growing up in a single-parent household—particularly one headed by a woman—are quite serious. The average cash income for a female-headed family with children is only about one-third of that of intact families.

Labor market realities

The labor market is not performing as it once did. The inflation-adjusted median income for families with children doubled between 1947 and 1972.[24] In the subsequent two decades, incomes have stagnated, increasing by only 5.4 percent. Moreover, those at the bottom have suffered the most—the proportion of total U.S. income received by the poorest fifth declined by 16.7 percent.

Mother-only families, in particular, face harsh realities in the labor market. Finding a job with pay and fringe benefits that can both raise family income above the poverty line and compete with the available package of public assistance benefits is a formidable challenge. During the 1980s, the proportion of well-compensated jobs in mining, manufacturing, and government sectors declined while overall employment growth was spurred by increased opportunities in the lower-paying retail, financial, and service sectors. The real median annual income of mother-only families with children fell by more than one-quarter after 1973 (and the income of families headed by someone with less than a high school education fell by more than one-third). Even at a time when better-paying jobs were more plentiful, Isabel Sawhill estimated that only half of all women receiving AFDC could earn enough to leave welfare and far fewer could earn enough to remove their family from poverty.[25] On average, successful graduates of work-welfare programs who secure full-time positions earn slightly more than $5.00 per hour—not even enough, in many cases, to compete with the welfare package available in high-benefit states such as Wisconsin.

Private child support

Private child support payments are expected to afford some economic protection to children not living with both parents. Yet, despite more than a decade of governmental intervention, the system of private child support in this country fails to assure the economic well-being of most of the children it was designed to protect.[26] In 1989, of the nearly 10 million women living with children whose legally liable fathers were absent from the household, only 58 percent had child support awards or agreements. Of those entitled to a payment, only 51 percent received the full award, while 25 percent received nothing at all. The record for obtaining awards for children born out of wedlock is worse, with fewer than one in five obtaining a support agreement. When awards have been made, they have historically been quite low—considerably less than what the father would be contributing were he living with his children—and the value of those awards often erodes over time. Private child support transfers, by themselves, remove few families with children from either dependency or poverty.

Public support for children (welfare)

Cash welfare assistance now does little to assure the economic well-being of children. After peaking in the early 1970s, the real value of AFDC benefits subsequently declined by over 40 percent.[27] Between 1970 and 1990, the AFDC guarantee in a typical state for a family of four dropped from $739 per month to $432 (in inflation-adjusted dollars). Cash welfare lifts far fewer than one in twenty children out of poverty, and it has been estimated that only fourteen states provide AFDC guarantees that exceed the fair market rent for a modest two-bedroom apartment, as determined by the Department of Housing and Urban Development. Expanded availability and use of in-kind assistance (e.g., food stamps) has cushioned the decline somewhat. Still, AFDC and food stamps in a typical state will only bring a family of three to 72 percent of the federal poverty threshold. Further, the proportion of poor children receiving AFDC benefits declined from four in five in 1973 to less than three in five today. And the proportion of poor women heading households getting welfare assistance has declined from 60 percent to 40 percent.

The fatal flaw of welfare

Child poverty persists in large part because we have not honestly confronted the basic conflict between the two putative goals of welfare reform: to enhance the well-being of children and to discourage dependency on government handouts targeted primarily at poor women with children. As suggested earlier, we can accomplish either of these goals alone. To eliminate welfare dependency, all we need do is end the AFDC program. Because that approach has been politically infeasible, public policy decisions about AFDC since the mid-1970s reflect what some would argue is the next best thing—allowing AFDC benefits to erode and imposing additional barriers to obtaining benefits. By the same token, we could eliminate (or at least substantially reduce) child poverty if we were willing to implement an incomes solution to the problem (as we have with the elderly) by increasing benefit levels. But that would clearly increase a form of public dependency that most regard as unacceptable.

The real reform challenge is, and always has been, to reduce welfare dependency and child poverty at the same time.[28] And the simple fact is that the structure of welfare ill equips this kind of program to address simultaneously poverty among children and the behavior of parents. Although other initiatives can be tagged to AFDC—Learnfare, training, two-tier benefit structures to deter the migration of the poor—it remains an outdated, administratively burdensome, stigma-laden, initiative-depressing program designed to remedy adverse economic outcomes, not to enhance personal opportunities.[29] It does not raise the poor out of poverty. It does not bring the poor into mainstream society. And it is very unpopular—among the poor and even among those who want to spend more to help the poor.

Ultimately, welfare is logically flawed by presenting to recipients inefficient and debilitating choices—nonrational economic choices—and by imposing unconscionable marginal tax rates on earnings. Adding the alleviation of child poverty to the dependency problem inevitably pushes the direction of the welfare debate toward solutions outside of the welfare concept.

The essential conundrum of welfare is that several equally desirable program goals—adequacy, vertical equity, and target efficiency—cannot be satisfied simultaneously. The objective of adequacy (providing enough to live on at a reasonable living standard) can easily be accomplished by raising welfare guarantees—the amount received by a recipient who has no other income. Theoretically, this leads to a substitution of leisure over work. This adverse outcome would be minimized if vertical equity could be assured—if recipients could work and not experience a substantial decline in benefits (i.e., face only modest benefit reduction or marginal tax rates). Adequate benefits and reasonable tax rates can be assured but only if the target efficiency objective is relaxed, if benefits are extended to those who are no longer economically impoverished.

If targeting available resources on the poor is considered important, guarantees must be lowered, sacrificing adequacy; or tax rates, the rate at which benefits decline in the face of earnings, must be increased, sacrificing the economic rationality of work. These logical constraints—the iron law of welfare reform—have long bedeviled reform efforts from within the program. And they have forced many to seek solutions outside of welfare.

The political community, without a great deal of debate, has gradually made a set of policy choices, given these implicit trade-offs. Adequacy and vertical equity have been sacrificed to preserve target efficiency. This saves money, at least in terms of nominal welfare expenditures. But it imposes other costs. Welfare no longer serves as an antipoverty vehicle for children because guarantees have declined in value and combining work and welfare generally is not feasible. And welfare clearly serves largely as an alternative to work for a growing group in society (female heads of families), who are increasingly expected to be engaged in the labor market.

One of the most difficult aspects of doing public policy is getting the question right. The illogic of welfare poses new dimensions to our traditional notion of compassion. The AFDC system is slowly disappearing. In the state of Wisconsin, the AFDC guarantee for a family of three would have to be raised from $517 to almost $800 if the inflation-adjusted value of mid-1970s benefit levels were to be restored. That will not happen. It may no longer be compassionate to defend (or slow the dismantling) of a system so inherently flawed.[30] Compassion may dictate that the policy debate shift away from saving what is left of welfare to thinking about what should replace it.

Rethinking reform

The process of thinking more imaginatively and productively about addressing dependency and poverty starts with the following principles:

- The ultimate end of reform is to reduce both dependency and poverty; and the intermediate objective is to substantially eliminate reliance on welfare-type income support programs.
- The historic conflicts about the direction of reform—the hard perspective versus the soft perspective, for example—are simplistic distinctions that can be viewed as complementary rather than competing strategies.
- The poor and dependent are not homogeneous but represent a population that is diverse both in terms of situational characteristics and personal attributes.
- There is no single approach for achieving poverty reduction or welfare reform; no unidimensional initiatives (e.g., work requirements, child support, tax law changes) that, by themselves, will solve the total problem.
- The basic challenge for policymakers is not to dream up new solutions—the array of ideas on the policy marketplace is already formidable—but rather to package and implement existing strategies in an integrated and effective manner.

The ideological divide on dependency and poverty

Getting the question right is not always easy. Politics and ideology typically serve to obscure issues rather than enlighten public debate. As mentioned earlier, welfare reform in this country has focused almost exclusively on the question of dependency. And thinking on the problem has often been couched in simple oppositional terms: the "hards" versus the "softs."[31]

The hards situate the cause of poverty within the individual, whereas the softs emphasize institutional and structural factors bearing upon the individual. Conventional wisdom would place most liberals in the soft camp, where they are likely to stress the deleterious effects of poverty. Conservatives are more likely to emphasize the dangers of welfare dependency. Acceptance of one position or the other leads observers toward quite divergent explanations for both poverty and dependency as well as toward radically different solutions.

Among the softs are those who believe that it is incumbent upon the state to provide its citizens with enough to enable them to subsist, whether they work or not. Among the hards are those who argue that proactive government action to reduce poverty is causally linked to increases in social disorganization and personal dysfunctioning, and that everyone would be better off if public interventions were minimized. Between these positions are, of course, those who believe that a myriad of factors contribute to and perpetuate poverty and dependency, including both institutional and individual factors. But the reform dialogue too often assumes the contours of a formal debate—with little real communication and an obsession with scoring points. The debate seems to focus on the extremes of the continuum and on the simplest of analyses and solutions.

Experts and the public alike engage in various forms of perceptual reductionism. Complex issues are simplified in the extreme. For example, conservatives often fix on an image of the poor (particularly the dependent poor) that draws upon the popular conception of the underclass. Somehow the African-American teen mother who has dropped out of high school and lives in the inner city becomes the proxy for all adults receiving AFDC. Yet the so-called underclass represents a minority of the poor and dependent at any one time. It has been estimated that only one poor child in fifty-six is African-American, born of an unmarried teen mother who dropped out of school, and lives in the central city.[32]

Perhaps in response, liberals fix on a contrasting image of the welfare mother as a young struggling woman attempting to play by the rules but crushed by chauvinism, pointless or counterproductive welfare regulations, lack of opportunity, and various institutional or market failures. Perceptual reductionism—the tendency to assume that part of the population or problem represents the whole—is a powerful determinant of the character of the public debate.

Truncated images of the relevant population encourage restricted theoretical thinking. The hards, because they see poverty as a direct consequence of personal failings, prescribe reforms that impose obligations on welfare recipients and reduce the attractiveness of welfare. They tend to favor putting the dependent poor to work quickly, without expensive training or a lot of hand-wringing over whether the jobs they take have growth potential. They seldom support social service programs, which they tend to view as costly, ineffective, and likely to provide opportunities for clients to avoid their obligations. In short, people should work because it is the right thing to do.

The softs, who tend to view poverty and dependency as products of environmental shortcomings, typically argue that the existing welfare system should be made more accessible and possibly more generous, that reform should focus on developing remedies for the multiple obstacles to self-sufficiency faced by the poor, and that the system should create positive economic incentives to bring the poor into the economic mainstream. They typically dislike behavioral obligations (work requirements) and almost instinctively defend (or want to defend) entitlements. In short, government should do more because it is the compassionate thing to do.

But must one choose one side or the other? one image of the poor over all the others? one theoretical approach? one approach to reform? In fact both positions reveal part of the truth, because no one image of the poor captures the full reality of this diverse population.

Heterogeneity—a new place to start

The welfare dynamics literature suggests that the total population of the dependent poor can be disaggregated into recognizable groups.[33] Point-in-time estimates indicate that most AFDC recipients—60 to 70 percent—are (or will become) long-term users of welfare. Patterns of use among new entrants to the welfare system are quite different, however. Of those initiating their first spell on assistance, some 30 percent are likely to be short-term users of assistance (less than 3 years), 40 percent are expected to be intermediate users (3 to 8 years), while the remaining 30 percent will become chronic/persistent users. Moreover, dependency is not a static phenomenon. Half of new entrants will exit within two years, and half of these will subsequently return to the rolls. These estimates are not etched in stone and are likely to change with cycles in the economy, in response to modifications in administrative practice and rules, or with changes in local circumstances. Common sense suggests that what is appropriate for a short-term recipient of welfare will not be sufficient for someone who is chronically dependent.

An equally simple insight is that no single welfare strategy, by itself, works particularly well. A growing literature suggests that program impacts associated with work-welfare initiatives are quite modest.[34] Simple work requirements (e.g., mandatory job search) do little to improve the earnings of recipients, nor do they substantially reduce welfare use. Training programs do better, but the net impacts are small and are no panacea for either dependency or poverty.[35] Private child support transfers, even after more than a decade of attention and systems enhancement, remove few children from poverty or dependency on government programs.[36] The results of other reform strategies either have not been rigorously evaluated or are equally disappointing.

One might well agree with the essence of Rossi's Law—that the expected value of any social intervention is zero.[37] That may not be an appropriate conclusion, however. The lesson is not that nothing can be done; rather it is that no single strategy will do the whole job.

The onion metaphor: Toward a conceptual framework

If we are to succeed in reducing dependency and enhancing the well-being of children, we cannot merely apply programs designed to make welfare less appealing—by cutting benefits and restricting coverage. Rather, we must apply solutions that deal with dependency by offering the opportunities and, as needed, obligations to work and to achieve by work an adequate standard of living. To accomplish this goal, we must design solutions that respond to the diverse needs of the diverse population of the poor. If we visualize the successive and distinguishable layers of the dependent poor as an onion, we can select from our arsenal of initiatives an appropriate array of interventions to deal with successive layers of the needy. Those at the top, the skin of the onion, will need little assistance and that of a different sort from what will be required to attain self-sufficiency for those at the core. As those who can (or will) respond to softer measures leave welfare (or never come on), public resources can more efficiently be directed toward those seemingly hopelessly mired in poverty. Table 1 describes the layers of the dependent and the likely interventions available to assist them.

Table 1

Peeling the Onion: Matching Reforms with Subgroups

Subgroups	Programs for Adults	Programs for Children
	Foundation Reforms	
Outer layer Working poor and those on welfare for less than 2 years	Refundable personal tax credits Expand tax credit with cash value of food stamps Other tax reforms	Refundable child tax credits Assured child support
	Earnings Supplements	
	Earned Income Tax Credit (EITC) (index and base on family size) Direct earnings supplement Indexed minimum wage	Refundable child care credit
	Transitional Supports	
	Assured medical coverage	Assured child care
Middle layers Those with limited options and very low earnings capacity (on welfare 2–8 years)	Welfare-to-work training programs Wage-bill subsidies Social contract Service options	Education reform "Soft" Learnfare School-to-jobs transition Youth capital account
The core The systems-dependent: those with very low earnings capacity and additional barriers—chemical dependence, depression, etc. (long-term and chronic users of welfare)	Work requirements Intensive services Time-limited financial assistance Guaranteed job	"Hard" Learnfare Teen pregnancy prevention Intensive services

Note: The programs listed here are sketched in the text.

The outer layer

The outer layer of the onion consists of those at risk of requiring welfare and short-term welfare recipients who are thought to enter dependency because of some discrete and observable adverse circumstance—a divorce or the loss of a job. Those who turn to welfare possess the skills, motivation, and necessary supports to acquire economic self-sufficiency in a short time. Appropriate policy interventions should provide time-limited income support and short-term help into the labor market.[38]

Reforms relevant to this group could obviate the need for welfare even in the short run. Such reforms should enhance the economic well-being of low-income families through nonwelfare transfers or by removing impediments to participating in the labor market. Nonwelfare mechanisms include supplemental transfers through the tax system, through earnings-related subsidies, and through the child support system. Removing impediments to labor force participation essentially means ensuring that certain costs associated with work are offset or reduced (e.g., that affordable child care and health care coverage remain available if the person takes a low-wage job with poor benefits and limited future prospects).

Refundable credits through the income tax system have long been recognized as a way of providing an income floor (or at least a way of cutting off the lower end of the income distribution). Tax credits, as opposed to the prevailing preference for reducing tax liabilities through exclusions, exemptions, and deductions, tend to be more redistributive in nature. That is, while the value of a deduction depends upon the tax bracket one is in—the higher the income, the more generous the tax offset—credits provide dollar-for-dollar relief for any positive tax liability. As such, they provide more relief to low-income tax filers.

When tax credits are refundable, low-income families receive some economic support directly through the tax system. Thus, changing both the personal and child deductions to refundable credits affords a rather straightforward method for providing some income support to economically disadvantaged families. The amount of relief is so modest, however, that using the cash value of food stamps (cashing out the food stamps) to finance an increase in the credit might be considered. Numerous other antipoverty tax reforms are possible, and, in fact, have been proposed. The major point here is to highlight the potential of the tax system in aiding those on the outer layer of the onion.

No feasible tax-credit proposal can expect to transfer anything close to an adequate income to disadvantaged families with children—particularly female-headed families. For those ready and able to work, the emphasis should be on inducing dependency-reducing and poverty-reducing behaviors by offering rational choices to the poor—policy measures to "make work pay." Other interventions designed to do the same thing include increasing (or indexing) the minimum wage, providing earnings-based income supplements, and/or ensuring that nonearned transfers (e.g., an assured child support benefit, described below) are not subject to confiscatory benefit reduction rates.

For some families, additional forms of nonwelfare assistance might be required. As a principle, children should always receive economic support from both of their parents. Although reforms have led to improvements in private child support, a large proportion of children, as mentioned earlier, receive little or nothing from their absent parents. There is widespread support for government to do more to ensure that all children with awards receive no less than some publicly guaranteed child support minimum. The public portion of any assured child support benefit would not be reduced as earnings increase—unlike typical welfare transfers—and can thereby serve as an income foundation upon which to build.[39]

Finally, assured access to health care and child care represent essential guarantees if a transition into the labor force is likely to be permanent. It would not be rational for a mother to continue in a low-paying job that did not offer a reasonable health insurance package if that meant she and her children lost Medicaid coverage. Likewise, it would be irrational to continue working if child care arrangements were prohibitively expensive, unsafe, or unavailable.

The reforms discussed here are examples of "foundation reforms," those designed to help parents who play by the rules to get their families out of poverty. There is no single way to put a package of initiatives together. Although we could mix and match various initiatives, the principle remains. Work, even in the secondary market, should constitute a rational economic choice.

The middle layers

Just below the outer layer are those with limited options. Although they may have reasonable levels of basic skills and education, available employment opportunities do not permit them to remove their families from poverty. Such individuals might profit from additional educational/vocational preparation, but what they first require are rational choices—economic opportunities that can lift them out of poverty.

Those with very low earnings capacity may well need extensive habilitation—a lengthy exposure to remedial educational and vocational services not normally available in typical welfare-to-work programs.[40] The foundation reforms and rational choices already described will not, by themselves, eliminate poverty, end welfare, and bring into the labor market a large number of those in the middle layers.

A portion of the dependent poor simply lack the attitudes and aptitudes to compete successfully in the labor market. In any theoretical queue of job seekers, some will be perceived as undesirable—as having productivity levels lower than prevailing wages. They have trouble gaining entry into the labor market even when motivated—unless wage-bill subsidies are used to offset actual costs to the employer. Equally important, their earnings capacity will be too low to enable them to work their way out of poverty, even with the various modest income supplements described above.

Some adults need the kind of welfare-to-work training programs that were promised, but not necessarily delivered, in all states by the JOBS provisions of the Family Support Act. The emphasis of a new and reinvigorated JOBS would differ from many of the existing versions of state welfare programs, which tend to stress immediate job placement and eschew longer-term vocational preparation.

Deeper into the onion are those whose self-confidence is likely to have been adversely affected by their experience on welfare. Presumably, their sense of what they can accomplish erodes over time. In this portion of our onion are also those who suffer from impoverished motivation (a form of learned dependency) and/or low earnings capacity. Both groups will need even more. If the onion shrinks, however, as successive layers are peeled off, it will be possible to provide those who remain with more intensive habilitation, using the form of a real social contract.

Both those whose confidence has eroded and those with a motivational deficit would benefit from reciprocal agreements or a social contract between the client and government. This contract would impose expectations on client behavior to strengthen basic social skills (e.g., punctuality, reliability, appearance). The contract would impose real expectations on government as well. Since clients will be at varying places in terms of self-sufficiency, an array of service options should be available.

Welfare-to-work programs that stress human capital development are very complex undertakings. A revitalized program must remain sensitive to a number of issues. The traditional focus on outcomes (simple measures of success such as "client entered employment") must be avoided. Looking at outcomes rather than impacts generates a "feeding frenzy" to find and serve those clients least needing intensive assistance ("creaming," or selecting those on the outer layer of the onion). The new priority would be to serve those very clients who would have been avoided as too difficult to help in the old policy environment.

The new reciprocal relationship with actually or potentially disadvantaged individuals would start early on. Youth in dependent families have until recently been ignored. Society is now trying to reach them through a renewed emphasis on educational reforms and greater attention to problems associated with intergenerational dependency. Skills and capacities of the young should be improved before they develop traits that are associated with behavioral dependency. The policy landscape is broad here: change and improve schools; change the behavior of school-age children ("soft" Learnfare);[41] and improve the school-to-work transition. These are institutional reforms. Others have suggested economic approaches, such as providing all youth with a "youth capital account"—an amount of money that could be drawn upon for the purpose of securing educational or vocational opportunities.

The core of the onion

Even at the core of the onion, several layers can be distinguished. The systems-dependent include those with both low earnings capacity and other barriers that stand in the way of self-sufficiency—barriers such as chemical dependency, clinical depression, abusive personal relations, etc. Also in this layer are those who lack motivation and social values. Here we encounter conventional "class/cultural" explanations of dependency that evoke images of the underclass. In addition to all the reform themes already described, this group might benefit from an exposure to reforms that emphasize personal responsibility. Impositions, accompanied by intensive service interventions, suggest themselves as the appropriate strategy.[42]

Impoverished neighborhood environments, lack of proper role models, and inadequate institutional resources are contributing causes to problems experienced by the core group. But what most concerns policymakers is the apparent deficit in basic motivations, the tendency toward dependency-perpetuating behaviors, and the absence of mainstream values. Again, the distinction between institutional and individual explanations of chronic poverty must be recognized.

The strategy thrust for the systems-dependent is to impose strict obligations on the individual and to communicate simple messages that counterproductive behavior will not be tolerated. For some, however, obligations will be unproductive given the multiple challenges they face. For those enervated by barriers such as drug addiction, help must accompany obligations. This is no less than a call for reuniting social services and case management to the provision of economic assistance—a tie that was severed with the rush to entitlements in the late 1960s.

Since this group has been ignored in the recent past, few models are available to adopt ready-made. The JOBS provisions of the Family Support Act modestly push states toward dealing with those closer to the core of the onion, but few states have pursued this policy objective aggressively. A number of promising "two-generational" and "family-centered" intensive intervention pilots are being developed, but their promise remains largely untested to date. The opportunity lost in seeking individual, family, and community-focused solutions to poverty as the policy community retreated from the 1960s War on Poverty must be addressed.

Ultimately, the clearest expression of real obligations—for both the recipient and government—would be a time limitation on welfare-type assistance. Many complex questions remain to be worked out, but the principle remains: welfare is no longer an entitlement but a short-term form of assistance.

More than any other provision, time-limited income assistance alters the character of welfare. Everyone involved would have a real stake in ensuring that substantive efforts to achieve personal self-sufficiency take place if the final consequence is termination of income support. Time-limited welfare will only be politically acceptable if some form of guaranteed job is made available at the end of the period during which income support is permitted. This is only ethical, given that the question of labor demand is not directly addressed through these reforms. Again, numerous design and administrative issues exist. Millions of jobs were created in the Depression. There appears no compelling a priori reason why a job guarantee cannot be made to those who have not become self-sufficient when their income support runs out.

The inner core

At the very core of the onion are the functionally limited. These are recipients of AFDC who are so impaired physically and/or emotionally that self-sufficiency is not a realistic objective. No one really knows the size of this group, though efforts are being made to identify the attributes that distinguish those who can be expected to work from those who cannot. The strategy for this group is to recognize that self-sufficiency is not an achievable goal and to develop nonstigmatizing ways of providing basic income support. An expanded disability program (e.g., a liberalization of Supplemental Security Income) seems an appropriate vehicle through which to assist this group.

Graded policy interventions

Conceptually, various policy interventions are graded to reach different levels of need and circumstances found at various layers of this hypothetical onion. For those at the outer layers of our onion, inducement-type interventions appear appropriate. These earnings-conditioned and non-means-tested transfers and supports are designed to "make work rational." For those in the middle layers, improvement-type interventions appear warranted—those designed to enhance human capital and improve those individual motivations, behaviors, and skills essential to success in the labor market. These are designed to "make work realistic." As we close in on the core, we focus more on imposition/intervention-type initiatives. Unlike the opportunity-based themes for those on the outer layers, the theme here is obligation. These interventions are designed to "make work a reality," in part by removing AFDC as a dependency-enabling policy. In other words the essential task is seen as one of peeling back the onion—the onion being visualized as successive and distinguishable layers of the dependent poor population—by systematically putting into place a set of initiatives that successively deal with the needs and circumstances of individuals who lie within each of the layers. The essential strategy is first to remove those on the outer layer of the onion through "softer" initiatives designed to rationalize the set of economic choices facing low-income families, then to enhance the capacities and opportunities of those in the middle layers of the onion through a combination of reciprocity (e.g., the social contract theme) and rehabilitative (e.g., human capital enhancements) initiatives, and finally to address the core of the onion through a variety of responsibility-focused (e.g., obligation-based) measures. Once these strategies are in place, some would argue that the opportunity to transform welfare programs like AFDC into time-limited, transitional forms of assistance would present itself.

Children and the onion metaphor

At first glance this metaphorical view of welfare reform appears to dwell, as have reforms in the past, on the problem of dependency among adults. Admittedly, this analysis focuses on the individual and intentionally neglects a number of institutional and contextual phenomena of theoretical importance.[43] Moreover, it focuses on AFDC—one of some seventy-five government programs that deal with the economic well-being of low-income individuals.

How, then, can it be said to relate to the other challenge of the welfare reform equation: reducing poverty among children?

First, this analysis offers the possibility of getting the question right and, by reducing the debilitating effects of conceptual and ideological gridlock, revitalizing the reform dialogue. We can move beyond the futile debate about who is right by recognizing that all sides in the traditional debate capture part of the truth.

Second, it gives us a general sense of how we ought to proceed: first, to make work rational; second, to make work realistic; and third, to make work a reality (an obligation). Until we deal with the outer layers, other reform initiatives appropriate for the middle and inner layers are less likely to be effective, since work, for many, will not represent an attractive option.

Third, by focusing on how to make work a rational choice (using such now familiar approaches as the Earned Income Credit, job subsidies, private child support, and an assured minimum public child support, as well as health care and child care—the so-called foundation reforms), we make possible the escape from poverty of those children in families at the outer layers of the onion, whose parents, with what they earn and their various subsidies, should be able to raise their incomes above the poverty line. And, as each group within the middle layers receives more concentrated assistance so that it too can move toward self-sufficiency, more children can anticipate improved circumstances.

Fourth, if AFDC is to be a short-term form of assistance, there is no need to worry that generous benefits and fewer restrictions on welfare will generate long-term dependency. Therefore, benefits can be raised to provide adequately for children during the period that the family is actively engaged in the transition to personal competency and family self-sufficiency.

Fifth, this approach may restore public willingness to invest additional resources in poor families with children. Public opinion polls typically have shown considerable support for an increased effort by government on behalf of the poor. At the same time, there has never been significant support for an expansion of welfare. The public intuitively appreciates how the set of perverse incentives associated with welfare act to the detriment of the alleged beneficiaries.

Sixth, this way of thinking about things may ultimately benefit the most destitute of children, some of whom live in families in which the parent refuses to respond to the various inducements, improvements, and impositions designed to ascertain that the household has income when welfare runs out. If we allow welfare to continue in such cases, the ultimate threat of a time limitation is compromised. And if we make the time limit real, public responsibility for the children is increased. The public response may have to be child welfare investigations to determine if the children are best served by remaining in such settings.

The last point confronts directly what is meant by compassion. Is it compassionate to throw a little bit of welfare into troubled families and do little else to aid the children? The answer depends partly on how many children are involved and whether we can design and finance the technologies required to assist them. What we do know is that our current welfare strategy does not relieve economic destitution among children and may enable society to ignore serious social and behavioral problems in some families.

Where are we now?

The question remains. Can we substantially dismantle AFDC and reduce child poverty at the same time? Is this agenda so utopian that it should not seriously clutter the social policy menu? Clearly, the type of reform agenda discussed above goes well beyond the normal policy discourse of the past several years. The popular discussion has been very limited, focusing disproportionate attention on marginal efforts to recreate the preentitlement form of AFDC. The Wisconsin Learnfare program is a case in point—capturing enormous media attention without offering any credible evidence regarding impacts on dependency or poverty, either positive or negative.

Learnfare did have one virtue—the media and public could understand it. It could be explained in a nine-second sound bite or a paragraph. Complex agendas are more difficult to explain. They are not likely to sustain media and political attention. Still, there is some evidence that the academic community has been converging on a broad agenda of reform.

Table 2 (p. 14) presents an overview of basic elements found in the antipoverty agendas proposed in the latter half of the 1980s by several poverty analysts. Ideologically, these analysts range from somewhat left of center to conservative. Specific proposals are organized according to whether they provide inducement-focused interventions, improvement-focused interventions, or imposition-focused interventions. Inducement-focused interventions include foundation supports (non-means-tested income supports such as refundable tax credits or assured child support), work incentives (increased minimum wage/various earnings supplements), and transitional supports (health care and child care). Improvement-focused interventions include human capital development and work guarantees (job creation and subsidies for employers who hire those with few work skills). Imposition-focused interventions include time-limited AFDC and tough-love measures like Learnfare.

Table 2
Overview of Reform Proposals

Layer of Need	Type of Reform	Danziger[a]	Ellwood[b]	Garfinkel & McLanahan[c]	Haveman[d]	Lerman[e]	Mead[f]	Murray[g]	Wilson[h]
Outer layer (Inducement interventions to make work rational)	Foundation reforms	Assured child support	Assured child support	Assured child support	Assured child support	Assured child support	Assured child support	Assured child support	Assured child support
		Refundable tax credits		Child/Adult allowances (FS cashout)		Refundable tax credits			Family allowances
	Work incentives	EITC	EITC Raise min. wage		Earnings supplement	Earnings supplement	Raise min. wage		
	Transitional supports	Child care credit	Assured medical care; child care		Assured medical care	Assured medical care	Extend Medicaid; more day care funding		Child care credit
Middle layers (Improvement interventions to make work realistic)	Human capital development			Expand education and training	Youth capital account	Expand training programs	Some restricted training		On-the-job training; apprentice-ships
	Work guarantees		Assured min.-wage jobs	Job guarantee	Employer tax subsidies				
The core (Imposition interventions to make work a reality)	Behavioral requirements						Tougher work requirements		
	Welfare limitations	No welfare limitations; uniform minimum benefits	Time-limited benefits	Time-limited benefits			Condition grants to wage level	Eliminate welfare	No welfare limitations; uniform minimum benefits

[a]Sheldon Danziger, "Antipoverty Policies and Child Poverty," IRP Discussion Paper no. 884–89, 1989.
[b]David Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988).
[c]Irwin Garfinkel and Sara McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: Urban Institute Press, 1986).
[d]Robert Haveman, *Starting Even: An Equal Opportunity Program to Combat the Nation's New Poverty* (New York: Simon and Schuster, 1988).
[e]Robert Lerman, "Nonwelfare Approaches to Helping the Poor," *Focus* 11:1 (Spring 1988), pp. 24–28.
[f]Lawrence Mead, "Work and Dependency: Part 2," manuscript prepared for the Welfare Dependency Project of the Hudson Institute, New York, 1986.
[g]Charles Murray, *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984). Also public statements.
[h]William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987).

The details of the plans are unimportant here. The patterns are instructive. Virtually all the plans (Murray's being the possible exception) are consistent with the notion that "making work pay" is a key element. To do this, a combination of earnings supplements, non-means-tested transfers, and methods for dealing with essential work-related supports are used. Most of the analysts make some suggestions on how to deal with the harder-to-reach individuals, but their proposals are general and do not address the problems of motivation. Even less is said about how to deal with the hardest-to-reach individuals. The relative neglect of those at the core of the onion may result from the fact that most poverty analysts are economists, who are less aware of the roles that might be played by social work and other helping professions.

There is considerable disagreement about what to do with welfare—primarily AFDC in this case. Some analysts want it eliminated, others want it cut back or time-limited, and still others want it expanded (at least in terms of setting a national minimum level of benefits). Even those who do not favor any retrenchment in society's reliance on welfare hope that the other interventions substantially reduce the need for this form of support. Most plans do call for some kind of non-means-tested income support. The conventional theory is that such a transfer (e.g., an assured child support provision), unlike welfare (which is defined as a highly means-tested or targeted transfer), would be consistent with active participation in the labor market. And it is apparent that there is no one best way to develop a "make work pay" strategy. The principle is endorsed widely, but many technical issues about which approach is best remain a matter of debate.

What remains missing is the organizing framework, a notion of where we want to be at some point down the road. With agreement on a framework, one can engage in the long and frustrating process of putting together the parts of a comprehensive agenda for change. It will be a continuing process of analysis, design, implementation, experimentation, evaluation, reanalysis, and revision. There are no shortcuts.

Getting from here to there

The onion analogy is a convenient way to conceptualize the populations of interest. It leaves out much detail, however. What is the proportional size of each layer? What characterizes the transition from one layer to the next? Are these distinctions, in fact, real? None of us has good answers to these questions. The welfare and poverty dynamics literature made available to us over the past decade provides important clues but not definitive answers.

The task of improving the circumstances of the poor without creating dependency is daunting. Available evidence suggests that moving the disadvantaged into mainstream society is more difficult than imagined. Anecdotal reports from state officials implementing the JOBS provisions of the FSA reveal that the personal barriers to labor market participation are more severe and widespread than anticipated. Reviews of the research literature appear to confirm this. Long-term AFDC mothers—relative to nonwelfare mothers—are more likely to make counterproductive life choices, are more likely to possess deficient levels of human capital, and are more likely to harbor negative attitudes toward labor market participation.[44]

The key to moving beyond the current political and ideological stalemate is the recognition by all parties to the debate—hards and softs—that welfare (AFDC) has lost credibility as the cornerstone of national income support and antipoverty policy for children. If this assertion can be brought to the fore and agreed upon, a new way of doing business could emerge.

Even if that end could be agreed upon, getting from where we are now to where we want to be would be an extraordinary undertaking. There are enormous design, implementation, management, fiscal, and evaluation issues to be resolved.[45] Among them:

- What proportion of the dependent poor population can be reached by "make work pay" initiatives?[46]
- Can various technical problems be solved? For example, using the tax system to help the poor is constrained by the fact that not all citizens file returns, and it is difficult to get the money when needed.
- What proportion of the dependent poor population can be brought into the labor market through serious employment-and-training programs?
- Can we create a large number of meaningful jobs as a bottom-line guarantee to those whose welfare assistance is terminated?
- What do we do with those families (children and adults) who fail to respond to any of the opportunities and obligations offered as part of the reform package?
- Where can we find the money to finance a reform of this magnitude?

Some of these are normative and political questions. Others are empirical.[47] And still others require that we attend to critical areas of implementation and management. Taken together, it is clear that substantive reform is a marathon and not a sprint.

At the starting line

Welfare reform and child poverty are wicked public policy problems where normative, theoretical, and technical (among other things) contention runs high. No one piece of legislation or one policy initiative—no matter what hyperbole is attached to it—will solve the underlying conundrum.

Hugh Heclo tempers unrealistic enthusiasm in the following way:

> The general message, after decades of careful study, is that overcoming the employment and other problems of long-term welfare recipients is a costly and slow process that yields only modest increases in earnings and no immediate budgetary savings. . . . Strategies for social engineering to improve family behavior are even more uncertain, especially for those families with the most serious, compounded problems. These results are not the counsel of despair, but they do point to changes that will be costly, slow, and modest in effect. In competing for support in the political arena, the odds of survival against promises that are cheap, splashy, and short-term are not good.[48]

Substantive reform was not achieved in the first hundred days of the Clinton administration, nor will it be in his first term. If it were easily done, as the latest cliché goes, it would have been done by now.[49] We must work on putting into place the fundamental capacities for undertaking complex change in a "wicked" social policy area.

First, we must agree upon a conceptual roadmap that will give direction to future efforts, and then we must deal with the short attention span of those who view reform through a political prism. Responsibility and ownership must be bipartisan. The work must involve close working relationships among those in the political sphere, the academic and technical sphere, and the programmatic sphere. And the timetable for getting to where we want to go must take into account the complexity of the undertaking and the abysmal state of our technical and programmatic competencies in key areas.

Second, as argued in Michael Wiseman's companion piece, we need a "thousand points of light" strategy where states experiment with various components of the reform agenda, but the federal government must not be a passive observer. Rather it must guide, prompt, motivate, and integrate what the states do. And states must acknowledge that their experimentation has implications for national policy and be ready to examine their efforts honestly.

Third, we need a willingness to make the required level of public investments. We have some idea of how much it would take to eliminate income poverty though an incomes solution. We have virtually no idea what it would cost to deal with the behavioral and institutional dimensions of poverty. But it won't be cheap.

It took several decades to arrive at where we are now. It will take years to initiate any kind of meaningful change. ■

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[1]The author would like to thank Robert Hauser, John Karl Scholz, William Prosser, Michael Wiseman, and Liz Uhr for their comments and help. He would also like to thank those staff of the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, who participated in the February 3, 1993, roundtable discussion of an earlier version of this article.

[2]From "Remarks by the President to the National Governors' Association Winter Session," February 3, 1993, The White House, Office of the Press Secretary, p. 2.

[3]Eugene Smolensky, Erik Evenhouse, and Siobhan Reilly, *Welfare Reform in California* (University of California, Berkeley: Institute of Governmental Studies Press, 1992).

[4]Eugene Smolensky, Sheldon Danziger, and Peter Gottschalk, "The Declining Significance of Age in the United States," in *The Vulnerable*, ed. John Palmer, Timothy Smeeding, and Barbara Torrey (Washington, D.C.: Urban Institute Press, 1988).

[5]Most of the poverty numbers in this article are from U.S. Bureau of the Census, Current Population Reports, Series P–60, No. 181, *Poverty in the United States: 1991* (Washington, D.C.: U.S. GPO, 1992).

[6]Aletha Huston, ed., *Children in Poverty* (Cambridge, U.K.: Cambridge University Press, 1991).

[7]For an overview, see Sheldon H. Danziger and Daniel H. Weinberg, "The Historical Record: Trends in Family Income, Inequality, and Poverty," paper presented at IRP-ASPE Conference on Poverty and Public Policy, May 1992. Paper available from IRP. (Forthcoming in *Poverty and Public Policy: What Do We Know? What Should We Do?*, ed. Sheldon H. Danziger, Gary D. Sandefur, and Daniel H. Weinberg [Cambridge: Harvard University Press, 1994].)

[8]Timothy Smeeding, "The Children in Poverty: Evidence on Poverty and Comparative Income Support Policies in Eight Countries." Testimony before the Select Committee on Children, Youth, and Families, U.S. House of Representatives, Washington, D.C., 1988. Also see Timothy Smeeding, "Why the U.S. Antipoverty System Doesn't Work Very Well," *Challenge* 35 (January/February 1992), 30–35.

[9]For a nice history, see Edward Berkowitz, *America's Welfare State: From Roosevelt to Reagan* (Baltimore: The Johns Hopkins University Press, 1991).

[10]See, for example, Joel F. Handler and Ellen Jane Hollingsworth, *The "Deserving Poor": A Study of Welfare Administration* (New York: Academic Press, 1971).

[11]See Robert H. Haveman, *Poverty Policy and Poverty Research: The Great Society and the Social Sciences* (Madison: University of Wisconsin Press, 1987), pp. 98–104.

[12]James Patterson, *America's Struggle against Poverty, 1900–1985*, 2nd ed. (Cambridge: Harvard University Press, 1986).

[13]President Reagan wanted to shift responsibility for welfare to the states under his "new federalism" principle. Congress didn't accept that but did, under the authority of the Omnibus Budget Reconciliation Act (OBRA) of 1981, grant states greater flexibility in certain program areas.

[14]A nice treatment of this development is found in Hugh Heclo, "Poverty Politics," paper presented at IRP-ASPE Conference on Poverty and Public Policy, May 1992. Paper available from IRP. (Forthcoming in *Poverty and Public Policy*.)

[15]Senator Moynihan made remarks to this effect during Senate hearings at which the author was testifying in June 1990.

[16]Julie Hagen and Irene Lurie, "Implementing JOBS: Initial State Choices," report from the Nelson A. Rockefeller Institute of Government, State University of New York at Albany, March 1992.

[17]This phrase is found in Sar Levitan and Isaac Shapiro, *Working but Poor* (Baltimore: The Johns Hopkins University Press, 1987), and popularized in David Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988).

[18]Phrase used by Christopher Jencks in *Rethinking Social Policy* (Cambridge: Harvard University Press, 1992).

[19]A good introduction to this principle can be found in Lawrence Mead's *Beyond Entitlement* (New York: Free Press, 1986).

[20]See Michael Wiseman, "Welfare Reform in the States: The Bush Legacy." I am indebted to him for this sobriquet.

[21]In the sequence of federal employment and training initiatives, the Manpower Development and Training Act of 1962 was replaced by the Comprehensive Employment and Training Act in 1973, which was replaced by the Job Training Partnership Act in 1982, which is under critical scrutiny. Shifts in direction have perhaps been more frequent for welfare-to-work initiatives.

[22]For a recent summary of issues affecting single-mother families, see Irwin Garfinkel and Sara McLanahan, "Single-Mother Families, Economic Insecurity, and Government Policy," paper presented at IRP-ASPE Conference on Poverty and Public Policy, May 1992. Paper available from IRP. (Forthcoming in *Poverty and Public Policy*.)

[23]Data in this section are drawn from Andrew Cherlin, *Marriage, Divorce, Remarriage* (Cambridge: Harvard University Press, 1992); and Theodora Ooms, *Families in Poverty: Patterns, Contexts, and Implications for Policy*, Briefing Report (Washington, D.C.: Family Impact Seminar, The American Association for Marriage and Family Therapy, Research and Education Foundation, 1992).

[24]Data are drawn from Frank Levy and Richard C. Michel, *The Economic Future of American Families* (Washington, D.C.: Urban Institute Press, 1991); and Greg Duncan, "The Economic Environment of Childhood," in Aletha Huston, ed., *Children in Poverty.*

[25]Isabel Sawhill, "Discrimination and Poverty among Women Who Head Families," *Signs*, 2 (1976), 201–211.

[26]Data drawn from Theodora Ooms, *Reducing Family Poverty: Tax Based and Child Support Strategies*, Briefing Report (Washington, D.C.: Family Impact Seminar, The American Association of Marriage and Family Therapy, Research and Education Foundation, 1992).

[27]Data are primarily drawn from U.S. House of Representatives, Committee on Ways and Means, *1992 Green Book* (Washington, D.C.: U.S. GPO, 1992); and Center for the Study of Social Policy (CSSP), *Kids Count Data Book: State Profiles of Child Well-Being* (Washington, D.C.: CSSP, 1991).

[28]Irwin Garfinkel and Sara McLanahan in *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: Urban Institute Press, 1986) pose the basic trade-off as being between reducing the economic insecurity of female heads of families and reducing their dependency on welfare.

[29]Robert Haveman argues that the policy debate should shift from equalizing outcomes to equalizing opportunities (see *Starting Even: An Equal Opportunity Program to Combat the Nation's New Poverty* [New York: Simon and Schuster, 1988]).

[30]For a fuller treatment of the incentive effects of welfare, both positive and negative, see Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, 30 (March 1992), 1–61.

[31]I am indebted to Micky Kaus, who has used the terms "hardheads" and "softheads" to describe those in opposite camps in the welfare reform debate. See "Revenge of the Softheads," *New Republic*, June 19, 1989, pp. 24–27.

[32]Ronald B. Mincy, "The Underclass: Concept, Controversy, and Evidence," paper presented at IRP-ASPE Conference on Poverty and Public Policy, May 1992. Paper available from IRP. (Forthcoming in *Poverty and Public Policy*.)

[33]There is a broad literature on this topic. A good place to start is Mary Jo Bane and David Ellwood, "Slipping into and out of Poverty: The Dynamics of Spells," *Journal of Human Resources*, 21 (Winter 1986), 1–23.

[34]Judith Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991).

[35]Ibid.

[36]Irwin Garfinkel, Sara S. McLanahan, and Philip K. Robins, eds., *Child Support Assurance* (Washington, D.C.: Urban Institute Press, 1992).

[37]After Peter Rossi, who has popularized several laws on the practice and pitfalls of conducting program evaluations in the real world.

[38]A good summary of reforms to assist those on the outer layer can be found in Ooms, *Reducing Family Poverty.*

[39]See Irwin Garfinkel, *Assuring Child Support: An Extension of Social Security* (New York: Russell Sage Foundation, 1992).

[40]A good place to start for further detail is Theodora Ooms, *Employment and Training Strategies to Reduce Family Poverty*, Briefing Report (Washington, D.C.: Family Impact Seminar, American Association for Marriage and Family Therapy, Research and Education Foundation, 1993).

[41]Soft Learnfare is a model that, unlike the original Wisconsin version, focuses on providing services and alternative educational opportunities and uses economic sanctions as a last resort.

[42]See Lawrence Mead, *The New Politics of Poverty* (New York: Basic Books, 1992); and, particularly for a discussion of intensive service models, Theodora Ooms, *Keeping Troubled Families Together*, Briefing Report (Washington, D.C.: Family Impact Seminar, American Association for Marriage and Family Therapy, Research and Education Foundation, 1992).

[43]As a start toward thinking about contextual factors in explaining poverty one might consider John Kasarda, "Jobs, Migration and Emerging Urban Mismatches," in *Urban Change and Poverty*, ed. Michael McGeary and Lawrence Lynn (Washington, D.C.: National Academy Press, 1988); William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987); or David Riemer, *The Prisoners of Welfare: Liberating America's Poor from Unemployment and Low Wages* (New York: Praeger, 1988).

[44]See Nicholas Zill, Kristin Moore, Christine Nord, and Thomas Steif, *Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data* (Washington, D.C.: Child Trends, 1991).

[45]See David Ellwood, "Major Issues in Time-limited Welfare," manuscript, December 1992.

[46]Ibid. Ellwood has suggested that a 25 percent reduction in the welfare rolls might be expected in response to this strategy.

[47]The New Hope Project in Milwaukee, Wisconsin, is attempting to mount an exciting program that could provide some empirical insight into these questions. For details, contact Ronald Sykes, Executive Director, New Hope Project, Inc., 623 North 35th St., Milwaukee, WI 53208.

[48]Heclo, "Poverty Politics," p. 38.

[49]In opening his Economic Summit in Little Rock late last year, President-elect (at that time) Clinton used this statement, which has subsequently been applied in the context of other difficult policy issues.

Welfare reform in the states: The Bush legacy

by Michael Wiseman

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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.

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.[3] But waiver-based demonstrations generally involve multiyear 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 article. 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 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.[4]

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 waiver policy. 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.[5] 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).

In addition to the latitude in structuring the state's AFDC plan that is granted directly by statute, 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. 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.[6] 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 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 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.[7] 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.[8] 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 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 preexperiment system. 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 prereform 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.

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. But since the late 1980s DHHS has attempted to establish random assignment as the norm for waiver evaluations,[9] and the record clearly indicates that attempts were made in 1992 to require random assignment as a condition for approval in virtually every case.

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.[10] 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.

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 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 limitations of waivers in welfare reform

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.[11] Absent any specific articulated goals, most observers agree to at least the following four statements:

- 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.

These precepts effectively illuminate the limits of what can be learned from state welfare innovations. To provide useful information, state demonstrations must be narrowly focused, which means they cannot address the broad problem of welfare reform; it will take a long time for the effects of state initiatives to be realized, thus, they can offer no instant fixes for the system; and, by definition, they operate within the welfare system, and therefore cannot offer solutions outside of welfare. Furthermore, because they operate within AFDC, efforts at enhancing self-support for recipients of benefits may stand in the way of shortening their duration on welfare. These points are discussed in some detail below.

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.[12] 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.[13]

For a state demonstration to contribute to the national reform effort, it must 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.[14] "Comprehensive" state demonstrations, while they undoubtedly have political advantages, multiply the dimensions of the demonstrations with the consequence that, even if the evaluation shows that the package as a whole has some desired effect, little of use will be learned.

Demonstration time vs. 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 vs. 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 Tax 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 recipiency, raising skills, or raising returns to increasing self-support. Cost-oriented policies encourage movement from welfare by making continued welfare receipt more expensive relative to the costs of jobtaking. 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. 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.

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) 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.

Because of the difficulties of providing incentives within welfare, projects offering long-term enhancements of the financial incentives for work within the welfare system pose a significant cost problem if expanded beyond a demonstration to an entire state caseload. Many of the new state initiatives attempt to circumvent this problem with questionable success. Before looking at the new demonstrations, however, I briefly review the old ones.

Initiatives already under way in 1992

The Bush administration did not begin 1992 with a clean slate; much was already going on. DHHS reports approximately thirty waiver-based research and demonstration projects in effect in eighteen states in 1991.[15] These projects can be divided into six categories on the basis of general emphasis:

1. Demonstrations featuring the integration of AFDC, food stamps, and supportive services. Programs in Alabama (Avenues to Self-Sufficiency through Employment and Training Services, or ASSETS) and Washington state (Family Independence Program, or FIP) were of this type.

2. Demonstrations emphasizing the manipulation of the so-called hundred-hour rule in AFDC-UP, whereby a two-parent family is terminated from welfare if the principal earner works more than 100 hours in a month. Demonstrations in California, Wisconsin, and Utah experimented with eliminating this restriction.

3. Welfare-to-work demonstrations emphasizing job search and training assistance for recipients. Aside from California's GAIN program, all demonstrations in this category were part of the national JOBS evaluation and were conducted under direct authorization from DHHS.

4. Demonstrations supporting efforts to move recipients to self-support through private business. Five states were involved in a Self-Employment Investment Demonstration (SEID) of methods for assisting welfare recipients to begin self-employment.

5. Demonstrations emphasizing services and/or requirements for teenage recipients, for example, encouraging them to stay in school. These projects included Wisconsin's "Learnfare" initiative as well as mandatory education, training, and employment programs for teen parents in Illinois and New Jersey.

6. A general category covering a variety of special projects, including administrative changes such as an evaluation of an automated case management system in Los Angeles and New York's Child Assistance Program (CAP)—an experiment with the use of incentives to encourage AFDC custodial parents to obtain child support and become employed.

The collection of demonstrations in place in 1991 reached 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). In many cases the general initiatives are roughly replicated in more than one site, with the potential for at least casual synthesis of results. 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 the small 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 1 (pp. 23–25).[16] Only one proposal, an ambitious medical cost-containment package proposed by Oregon in 1991, was turned down in its entirety. 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 the proposals pay much greater attention to development of *financial* incentives for work, for education, and for avoiding child-bearing and migration. (As mentioned earlier, such incentives 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.[17]

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 a number of problems with the waiver strategy pursued by the Bush administration, the inherent limitations of the waiver approach, and the need for a guiding vision of the contribution of state welfare demonstrations to national policy.

Wisconsin Parental and Family Responsibility Initiative

The Wisconsin Parental and Family Responsibility Initiative (PFRI)[18] was announced April 10, 1992, by President Bush and described in greater detail at a press conference held the same day by Secretary of DHHS 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."[19]

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.

- Work incentives will be increased for participants in both AFDC-Regular 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

Table 1

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

State	Demonstration	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.	Proposal received January 1993, pending.
California: Welfare Reform Demonstration Project (WRDP)	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.	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.	Proposal submitted September, approved 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.	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.	Applications for components 1–6 received October; supplemental application for Parental Involvement Project received November. Approval deferred for relocation of "One Step" proposals; remainder approved January 1993. Waivers for Medicaid components pending.
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.	Proposal submitted May, approved June.

(Continued)

Table 1, Continued

State	Demonstration	Status (month references are for 1992 unless otherwise noted)
Massachusetts: Child Care CoPayment	Requires JOBS participants to contribute to the costs of day care for their children.	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.	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.	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.	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 (FDP)	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.	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.	Proposal received January 1993, pending.
Oregon: JOBS Waiver Project	Expands JOBS participation requirements, increases sanctions for noncompliance.	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.	Proposal submitted December, pending.
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; changes assets test for AFDC eligibility; cashes out food stamps; numerous changes in AFDC, food stamps, and public housing system programs and administration.	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.	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.	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 (PFRI)	Pilot demonstration of initiative for new welfare applicants under age 20 and their spouses or the 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.	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.	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.	Proposal submitted October, approved January 1993.
Wyoming: Limitation of Higher Education as an Eligibility Requirement for AFDC	Disallows AFDC benefits for households where "primary information" person is pursuing second bachelor's degree, in B.A. degree program of six or more years, or in Associate of Arts degree program of four years or more.	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.	Proposal submitted December, pending.

Source: Waiver proposals and approval documents furnished by U.S. Department of Health and Human Services, plus Jodie Levin-Epstein and Mark Greenberg, *The Rush to Reform: 1992 State AFDC Legislative and Waiver Actions* (Washington, D.C.: Center for Law and Social Policy, 1992).

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 it 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 benefit 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 1). 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 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 2 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

Table 2
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 (assumes 4.3 weeks, 20 hours per week, salary $5.50/hour)		473.00
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)		560.00
PFRI procedure		
Gross earnings (assumes 4.3 weeks, 20 hours per week, salary $5.50/hour)		473.00
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)		776.50

Source: Based on program description in Wisconsin Department of Health and Social Services, "Application for Federal Assistance: The Parental and Family Responsibility Demonstration Project," Madison, Wis., March 13, 1992.

by $2.25; under current welfare benefits, an additional hour of work would not change gross income at all.[20]

The 100-hour rule has already been mentioned in connection with the 1991 AFDC-UP initiatives. AFDC-UP, however, requires as well that the principal earner have a work history. The demonstrations in progress in fiscal year 1991 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 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.[21] 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.[22] 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.[23] 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 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 included 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.[24] In others 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 a comparison of costs for control and treatment cases. If cumulative federal excess costs for 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.

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. As mentioned earlier, for a state demonstration to contribute to the national welfare reform effort, it must address a program that can be implemented on a larger scale or offer the prospect of determining something useful about behavior. These two criteria, as they apply to the Wisconsin proposal, are addressed in turn.

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.[25] 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? 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?

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.

The Wisconsin demonstration seems to fail the test of doing something that might conceivably be made national policy 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 the 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. It may not be worth the effort, or the time.

New Jersey Family Development Program

The New Jersey Family Development Program (FDP)[26] 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.[27] 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 maximum aid payment. Her gross income is her earnings, $473. This calculation is set out in column 1 of Table 3.

Now, suppose that the family has another child. Under predemonstration 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).[28]

Table 3
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 Children, Current Rules	Two Children, 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

Source: Based on a sample presented in New Jersey Department of Human Services, "Application for Federal Assistance: Family Development Plan," Trenton, N.J., June 6, 1992.

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.

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 3. 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 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 3, 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 3 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 Project

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 initiative, 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";[29] 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 this analysis, the important fact is that the waivers it required were approved.[30] As a result, the details remain of interest, and I postpone discussion of its stripped-down replacement to later (p. 33).

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 level established by the 10 percent reduction) once receipt has continued for more than 6 months.[31]
- 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 the state's welfare-to-employment program, Greater Avenues for Independence.
- 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 4 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 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.)

Table 4
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[a]
Need standard (MBSAC)	$694	$694	$824	$824
Payment standard (MAP)	663	507	788	507
Earnings	473	473	473	473
Disregard	151	425	156	555
AFDC payment	341	459	471	507
Gross income	814	932	944	980

Source: Based on program description in California Health and Welfare Agency, "Application for Federal Assistance: Welfare Reform Demonstration Project," Sacramento, 1992; and California Department of Social Services, *Manual of Policies and Procedures* (Sacramento: California Health and Welfare Agency, Department of Social Services, 1992), various sections.

[a]Assumes the last child was conceived while the family was receiving assistance.

Under procedures in effect before the introduction of the new California initiative, an additional child would increase the MBSAC and MAP 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 4, 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($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).

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.[32] 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.[33] 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 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.

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 Development 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.

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.[34] 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 effects, with uncertain political, economic, and social consequences. It should not be undertaken in the rush for short-run deficit reduction.[35]

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 the 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.[36] 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 in benefits computation of the first dollars 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.[37] 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 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, California's voters rejected the Wilson initiative and the WRDP. As Table 1 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. (Normally, reduction of benefits does not require a waiver at all. However, when combined with reductions already enacted, the California changes push benefits below the level in place in 1988, and this triggers a reduction in federal financial assistance for Medicaid. The state sought a waiver of the Medicaid restriction.) 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 the $30 and one-third disregard, but given the more obvious hazard of cost overruns with this provision, it appears that it will not be implemented.[38] 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.

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 1 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 of the time-limited welfare reform proposed some years ago by David Ellwood[39] and espoused during his 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.[40] 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.[41] 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 occasional 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.

- 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.[42] 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:

> We 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.

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. ■

[1] *New York Times*, January 29, 1992, p. A17.

[2] For 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 Michael Wiseman, "Research and Policy: A Symposium on the Family Support Act of 1988," *Journal of Policy Analysis and Management*, 10 (1991), 588–666.

[3] See Daniel Friedlander, Gregory Hoerz, Janet Quint, and James Riccio, *Arkansas: Final Report on the WORK Program in Two Counties* (New York: Manpower Demonstration Research Corp., 1985).

[4] In 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.

[5] See Paul E. Peterson and Mark Rom, *Welfare Magnets* (Washington, D.C.: Brookings Institution, 1990).

[6] This 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, White House Domestic Policy Council, *Up from Dependency: A New National Public Assistance Strategy* (Washington, D.C.: U.S. GPO, 1986), p. 57. For an authoritative review by insiders of waiver policy following President Reagan's message, see Michael Fishman and Daniel Weinberg, "The Role of Evaluation in State Welfare Reform Waiver Demonstrations," in *Evaluating Welfare and Training Programs*, ed. Charles F. Manski and Irwin Garfinkel (Cambridge: Harvard University Press, 1992).

[7] Executive Office of the President, *Budget of the United States Government, Fiscal Year 1993*, Part 1 (Washington, D.C.: U.S. GPO, 1992).

[8] An "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 are those related to the Job Opportunities and Basic Skills Training Program (JOBS) and provision for child care assistance for children judged to be at risk of becoming welfare dependent.

[9] Fishman and Weinberg, "The Role of Evaluation in State Welfare Reform Waiver Demonstrations."

[10] Federal 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.

[11] For discussions of the research agenda see David Greenberg and Michael Wiseman, "What Did the OBRA Demonstrations Do?" in *Evaluating Welfare and Training Programs*, and "What Did the Work-Welfare Demonstrations Do?" IRP Discussion Paper no. 969–92, University of Wisconsin–Madison, 1992. See also Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991).

[12] See Thomas Corbett's article "Child Poverty and Welfare Reform: Progress or Paralysis?" in this issue of *Focus*.

[13] See Irwin Garfinkel, Charles F. Manski, and Charles Michalopoulos, "Micro Experiments and Macro Effects," in *Evaluating Welfare and Training Programs*.

[14] A third possibility with some utility is that a state demonstration might lead to putting a bad idea to rest. Unfortunately, the same factors that diminish the positive accomplishments of such demonstrations can prevent the achievement of useful negative ones.

[15] A more detailed discussion of these initiatives can be found in Michael Wiseman, "The New State Welfare Initiatives," IRP Discussion Paper no. 1002–93, University of Wisconsin–Madison, April 1993.

[16] The count is a matter of considerable discretion; the six Illinois projects are counted as a group, 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 1, see Jodie Levin-Epstein and Mark Greenberg, *The Rush to Reform: 1992 State AFDC Legislative and Waiver Actions* (Washington, D.C.: Center for Law and Social Policy, 1992). DHHS receives many tentative proposals, often for technical assistance, but only formal submissions show up in Table 1.

[17] See Levin-Epstein and Greenberg, *The Rush to Reform*.

[18] Unless otherwise noted, the description of the Parental and Family Responsibility Demonstration Project is from Wisconsin Department of Health and Social Services, "Application for Federal Assistance: The Parental and Family Responsibility Demonstration Project," DHSS, Madison, 1992; or from U.S. DHHS, "Amendments to Wisconsin's Special Terms and Conditions for Its Welfare Reform Demonstration, Part III, Wisconsin Parental and Family Responsibility Demonstration Project," DHHS, Washington, D.C., 1992. For additional commentary on the initiative, see Mark Greenberg, *Wisconsin's Teen Welfare Waiver: An Analysis of the Parental and Family Responsibility Demonstration Project* (Washington, D.C.: Center for Law and Social Policy, 1992).

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

[20] This 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 article. For further information, see U.S. House of Representatives, Committee on Ways and Means, *1992 Green Book* (Washington, D.C.: U.S. GPO, 1992), p. 626; and Michael Wiseman, "Welfare Work Incentives in Real Time," 1993, manuscript.

[21] See Michael Wiseman, "The Welfare System," in *California Policy Choices*, ed. John J. Kirlin and Donald R. Winkler (Los Angeles: University of Southern California Press, 1985).

[22] Janet Peskin, Congressional Budget Office, Washington, D.C., memorandum, April 10, 1992.

[23] Wisconsin DHSS, "Application for Federal Assistance," Appendix B, p. 3.

[24] U.S. DHHS, "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. (See Jacob Cohen, *Statistical Power Analysis for the Behavioral Sciences* [Hillsdale, N.J.: Lawrence Erlbaum Associates, Inc., 1988]). A larger sample size may permit identification of differential effects by subgroups.

[25] The Wisconsin proposal argues that such community effects will be pre-

sent: "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 DHSS, "Application for Federal Assistance," Appendix B, p. 8).

[26]The program description presented in this section is taken from New Jersey Department of Human Services, "Application for Federal Assistance: Family Development Program," Trenton, N.J., June 6, 1992.

[27]Ibid., p. 33.

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

[29]The description of California's welfare proposal is taken from California Health and Welfare Agency, "Application for Federal Assistance: Welfare Reform Demonstration Project," Sacramento, 1992.

[30]The plan is proposed again in Governor Pete Wilson's budget for fiscal year 1994. See California Department of Social Services, *Making Welfare Work in California* (Sacramento: CDSS, 1993).

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

[32]If earnings are $1,161, the disregard is $90 (work expenses) + $30 (the basic disregard) + .333(1,161 − 120) (the one-third) + $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.

[33]U.S. DHHS, Administration for Children and Families, "Waiver Terms and Conditions: California Welfare Reform Demonstration," Washington, D.C., June 29, 1992.

[34]The evaluation of the "HAPEE" (Helping AFDC Parents Enter Employment) project (Data Management Systems/Associates, "First and Second Year Comparison/Summary HAPEE Evaluation Report," Fresno, 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, "Linking AFDC-UP Parents to Employment: Fresno County's Link-Up Project," final evaluation, photocopy, 1991).

[35]Unpublished 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 program 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.

[36]For an example of reports of this type, see Christopher Jencks and Kathryn Edin, "The Real Welfare Problem," *American Prospect*, 1 (Spring 1990), 31–50; and Kathleen Mullan Harris, "Work and Welfare among Single Mothers in Poverty," paper presented at the Annual Research Conference of the Association for Public Policy and Management, Denver, October 29, 1992.

[37]Expanding 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 Mark Greenberg, *How Can States Reduce Welfare's Work Penalties? The "Fill the Gap" Option* (Washington, D.C.: Center for Law and Social Policy, 1992).

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

[39]Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988). Ellwood is now the Assistant Secretary for Planning and Evaluation at DHHS. See also Corbett, "Child Poverty and Welfare Reform," Table 2, in this issue of *Focus*.

[40]The 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.

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

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

Poverty in the rural United States

by Paul Dudenhefer

An article in the Summer 1980 issue of *Focus*, "On Not Reaching the Rural Poor: Urban Bias in Poverty Policy," stated that researchers know "astonishingly little" about the economic and social aspects of rural life.[1] Thirteen years later, this may still be the case. One crude indication is the small number of articles on the rural poor listed in the *Social Sciences Index*, a major, annual bibliography of published material in the social sciences. Over the last 11 years, only 21 articles have been listed under the heading "Rural Poor: United States"; this compares with a listing of 26 different pieces on urban poverty and the underclass in the United States in 1991–92 alone.[2] Apparently, when researchers—or at least the principal sponsors of poverty research—think poverty, they think city, not town and country.

This situation may be changing, however. In 1990 the Rural Sociological Society formed a Task Force on Persistent Rural Poverty; the chair of the Task Force is Gene F. Summers, an IRP affiliate and Professor of Rural Sociology at the University of Wisconsin–Madison. The Task Force was funded by grants from the W. K. Kellogg Foundation and the four Regional Centers for Rural Development.[3] Divided into nine working groups, the Task Force set out to "provide conceptual clarification regarding the factors and dynamics of society which precipitate and perpetuate rural poverty."[4] Its members reviewed the classic theories that have been offered to explain the persistence of poverty in rural America, indicated the merits and deficiencies of each theory, and proposed several new theories of their own (see box, p. 44). The work of the nine groups, along with a statistical summary of rural poverty, has just been published in a volume entitled *Persistent Poverty in Rural America* (see box, p. 43).

"The American public generally perceives poverty as an urban problem," comments Robert Hoppe, statistical consultant to the Persistent Rural Poverty Task Force. He explains that this is probably because most Americans live in or near urban centers; hence, when they see poverty, they see it in cities. But according to Hoppe, poverty rates in rural areas can be as high or even higher than those in our major cities. "Poverty is as much a rural problem as an urban one," he observes.[5]

This article presents statistics that confirm Hoppe's observation. It is based mainly on the reports contained in *Persistent Poverty in Rural America*. In addition to citing poverty statistics, it discusses who the rural poor are, recaps the history of government policy that has affected rural poverty, and touches upon theories that attempt to explain why poverty is so persistent in our nonmetropolitan areas.

What is persistent rural poverty?

The Task Force defines persistent rural poverty by breaking it into three questions: What is poverty? What is rural? What is persistent? By poverty, the members of the Task Force usually mean the official U.S. poverty line—the maximum amount of income a family of a given size can receive in a calendar year in order to be considered poor—which, in 1992, was $14,343 for a four-person family.[6] By rural, they mean counties classified by the U.S. Census Bureau as "nonmetropolitan"; generally speaking, these are counties in which the largest city contains less than 50,000 people and the inhabitants do not commute to an urban center. The Task Force uses "rural" and "nonmetropolitan" interchangeably, as does this article. ("Urban" and "metropolitan" are used interchangeably as well.) These nonmetropolitan or rural areas are not necessarily agricultural communities; in other words, "rural" is *not* synonymous with "farm." In fact, in 1990 only 8 percent of all inhabitants of rural areas lived on farms.[7]

With regard to rural poverty, persistent means "the continued existence of a substantial segment of the population with incomes below the poverty threshold in spite of ameliorative efforts."[8] In a persistently poor rural county, some families may escape poverty while others fall into it; some may be poor one year, earn more than the poverty line the next, and then fall back into poverty again; or families may move in and out of the county, yet at any given time, that county has a high poverty rate.

Rural poverty: A statistical portrait

In 1990 there were 9 million poor persons in a rural population of 56 million. These 9 million were in many ways quite different from their 24.5 million urban counterparts.[9] They were more likely to be chronically poor, regardless of race: 43 percent of poor rural blacks experienced poverty for longer than 10-year periods, while 30 percent of poor urban blacks did.[10] The rural poor were dispersed over a wider geographical area: less than 40 percent lived in areas with poverty rates exceeding 20 percent, whereas 52 percent of the inner-city poor did.[11] Perhaps most important, given the content of welfare debate in the United States today, they were less likely to behave in ways that are generally assumed to be correlative with poverty: a lower percentage were dependent on welfare, and proportionally fewer of them were single parents.[12] In addition, a greater percentage worked; 64.6 percent of poor rural families had at least one member who was formally employed, whereas among poor families in urban areas the percentage was 54.1.[13] According to the Task Force report, if policymakers are to take meaningful steps toward reducing rural poverty, they must take into consideration the differences between the rural and urban poor. To be sure, rural poverty persists in part "because public policymakers have failed to discover—much less apply—the many remedies needed to alleviate U.S. poverty in general."[14] But any antipoverty policy based on facts surrounding urban poverty may require modification to be effective in rural areas.

Rural poverty rates

As the data in Table 1 show, the rural poverty rate in 1990 was 16.3 percent, higher than the rate in suburban areas (8.7) and nearly as high as the rate in inner cities (19.0).[15] For each population group, the poverty rates in rural counties were significantly higher than those in suburbs. Two of the biggest differences between rural and suburban areas were in the rates for married-couple families and their children; the rural poverty rates for these groups were more than twice as high.

Poverty rates in rural areas and inner cities were similar; only the poverty rates for blacks and unrelated individuals were significantly different, and in both cases, the rural rate was higher. Even so, the overall poverty rate in inner cities was significantly higher than the rate in rural areas. This is because a greater percentage (about 20) of the inner-city

Table 1
Selected Characteristics of the Poor, by Residence, 1990

	United States Total	Metropolitan Total	Metropolitan Central Cities	Metropolitan Suburbs	Nonmetropolitan
Total poor (in thousands)	33,585	24,510	14,254	10,255	9,075
Part A: Poverty rates					
Poverty rate for total population	13.5%*	12.7%*	19.0%*	8.7%*	16.3%
People in families with a female householder, no husband present[a]	37.2*	35.8*	43.9	26.6*	43.2
Related children	53.4	52.5	60.9	41.7*	56.8
Married-couple families[a]	6.9*	5.9*	9.1	4.4*	9.9
Related children	10.2*	9.1*	14.0	6.6*	14.0
Unrelated individuals[b]	20.7*	19.0*	21.8*	16.3*	27.7
Whites	10.7*	9.9*	14.3	7.6*	13.5
Blacks	31.9*	30.1*	33.8*	22.2*	40.8
Hispanics[c]	28.1	27.8	31.7	22.8**	32.0
Aged[d]	12.2*	10.8*	14.6	8.1*	16.1
Disabled[e]	35.9	34.8	43.6	25.8*	39.0
Part B: Groups making up the poor					
Poor who are:[f]					
People in families with a female householder, no husband present[a]	37.5*	40.1*	45.1*	33.2	30.3
Related children	21.9*	23.7*	26.7*	19.6	17.0
Married-couple families[a]	34.6*	31.0*	27.0*	36.7*	44.4
Related children	14.6*	13.5*	11.8*	15.9	17.6
Unrelated individuals[b]	22.2*	22.8*	22.6*	23.2*	20.4
Whites	66.5*	64.1*	53.8*	78.5*	72.9
Blacks	29.3*	31.4*	41.2*	17.8*	23.6
Hispanics[c]	17.9*	22.5*	24.7*	19.5*	5.4
Aged[d]	10.9*	9.8*	9.3*	10.4*	14.0
Disabled[e]	8.8	8.6	9.4	7.6	9.4

Source: Reprinted from *Persistent Poverty in Rural America*, Rural Sociological Society Task Force on Persistent Rural Poverty, 1993, by permission of Westview Press, Boulder, Colorado. P. 32. Data are from March 1991 Current Population Survey.

*Significantly different from the nonmetropolitan estimate at the 95 percent confidence level.
**Significantly different from the nonmetropolitan estimate at the 90 percent confidence level.

[a]The term "family" refers to a group of two or more related persons who live together.
[b]Unrelated individuals living alone or with nonrelatives.
[c]Hispanics may be of any race.
[d]The aged are at least 65 years old. The aged and disabled are mutually exclusive.
[e]Age 16 to 64 with a "severe work disability."
[f]The percentages in the groups sum to more than 100 percent because an individual may be in more than one group.

population than the rural one (only 11) consisted of female-headed families, among whom poverty rates were quite high.

In most instances, rural poverty rates were significantly higher than the rates in metropolitan areas (which include suburbs and inner cities);[16] the exceptions were the rates for children in female-headed families, Hispanics, and the disabled, none of which were significantly different.

Between 1967 and 1990 the poverty rate in rural America ranged from less than 14 percent to more than 20 percent. In each year of this period, it was higher than the overall national rate as well as the rate in metropolitan areas, and until 1975 it was higher than the rate in inner cities themselves. As with U.S. residents as a whole, a greater share of rural residents were in poverty in 1990 than in the late 1970s. The rural poverty rate was 13.5 percent in 1978, rose to 18.3 percent in 1983, and fell to 15.7 percent in 1989. It has yet to descend to its 1978 level.

Beginning in 1984, poverty rates began to fall in metropolitan areas, including inner cities, but not in rural areas. Rural poverty stood at about 18 percent from 1983 to 1986. The failure of the rural poverty rate to follow the decline in other areas could be attributable to unemployment rates, which rose more quickly in rural areas than in cities. Rural poverty is especially affected by unemployment: almost two-thirds of the changes in the poverty rate that occurred between 1973 and 1989 were due to changes in the unemployment rate.[17] And when the rural unemployment rate dropped by 2.6 percentage points between 1986 and 1989, the rural poverty rate fell by 2.4 percentage points.

In addition to unemployment, the fact that the economy has grown at a slower rate in rural areas than in metropolitan areas could also explain why the rural poverty rate did not drop until after 1986. This slower growth rate has led to a widening income gap between rural and urban residents. Whereas in 1973 metropolitan per capita income was $3100 higher than nonmetropolitan per capita income, by 1989 it was $5200 higher.[18] Put another way, in 1989 the income of rural residents was only 72 percent of the income of urban dwellers.

Who are the rural poor?

Just as poverty rates in 1990 differed among the rural and urban poor, so did the composition of the poor population in the different regions. For instance, the rural poor were more likely than the inner-city poor to live in married-couple families. Whereas only 27 percent of the poor in central cities consisted of married-couple families, this family type made up 44 percent of the rural poor (Table 1). In fact, in contrast with the nation as a whole, in rural America married-couple families made up a greater percentage of the poor than did female-headed families. Another big difference concerned the aged. The percentage of the rural poor who were 65 years or older (14.0) was over 50 percent higher than that of the inner-city poor (9.3). And poor Hispanics were much more numerous in the inner cities (24.7 percent of the inner-city poor) than they were in rural areas (5.4 percent).

The percentage of the rural poor who lived in female-headed families (30.3) was lower than that for the other residence categories. This figure, however, was up from 22 percent in 1969, meaning that poverty among female-headed families in nonmetropolitan areas is an increasing problem. Moreover, the percentage of the rural population, poor or otherwise, living in female-headed families rose from 8.4 percent in 1969 to 11.5 percent in 1990.

The share of the rural poor who were children (34.6 percent) was about the same as in the other areas. Poor children in rural areas, however, were less likely to live in female-headed families and more likely to live in married-couple families than were their metropolitan and inner-city counterparts.

Where are the rural poor?

Over 55 percent of the rural poor—and nearly 97 percent of the rural black poor—lived in the South in 1990.[19] Concerning the issue of location, the following question might arise: Why do people in rural areas who cannot find employment remain in those areas, instead of moving to where the jobs are? According to the Persistent Rural Poverty Task Force, a strong sense of place and feelings of kinship exist among people who live in rural areas. "Despite the economic hardship and limited social mobility opportunities in areas of persistent rural poverty, the local rural community appears to provide residents with feelings of security and stability, along with strong ties to family and friends," the Task Force explains. While a disinterested observer might question the attractiveness of a rural location with few job opportunities, the residents of that locale feel, quite simply, at home. "Although it would be foolish to suggest that day-to-day living in a depressed rural area is either romantic or nostalgic, the significance of the attachments to the people and the land in these areas should not be discounted," concludes the Task Force.[20]

The working rural poor: A culture of poverty?

According to the Task Force, the fact that roughly two-thirds of the rural poor work invalidates at least one theory that has been offered to explain persistent poverty, namely, the culture-of-poverty theory. This theory asserts that people are poor because they have internalized as their preferred way of life a "collection of behaviors, attitudes, and tastes that are at best unhelpful in the job market, and more commonly are detrimental."[21] In short, people are poor because they conduct their lives in ways that guarantee impoverishment. Proponents of this theory have applied it to ethnic minorities in particular, claiming that there are certain cultural practices that prevent minorities from participating fully in the mainstream labor market.

In addition to the fact that a majority of the rural poor are employed, other concerns refute the culture-of-poverty theory. The theory is not supported empirically, and it fails to take into account such things as racial discrimination that play a role in keeping someone poor. Some would argue that the cultural practices that are said to result in poverty are actually rational responses to the prejudices of the dominant society.

Despite the shortcomings of the culture-of-poverty theory, the Task Force does not recommend that cultural factors be ignored altogether. The Task Force is "concerned that the persistently poor will become increasingly different from others, not because they share different values but because they are exposed to different risks."[22] In light of this concern, it recommends that cultural elements be considered in theoretical work that attempts to explain why some poor children overcome their circumstances and escape poverty as adults while others do not.

The earnings gap between rural and urban workers: A gap in job skills?

Some would argue that rural workers earn less than urban workers because they are less skilled. This argument is behind another theory that has been used to explain persistent poverty: human capital theory, which holds that the more education and work experience a person has, the better his or her job will be. Workers who earn the most money are those who are the most productive, and those who are the most productive are those who are the most highly skilled—who have the most education and the greatest amounts of relevant work experience. Moreover, for every person who decides to spend the money and expend the effort to obtain an education, somewhere there is an employer who will reward him or her justly.

Advocates of this theory would argue that poverty in rural America persists because many rural workers lack the necessary skills to obtain jobs that pay more than the poverty line. According to human capital theory, poor people who live in rural areas must have insufficient educations and irrelevant or limited work experience—or else they would not be poor.

It is true that there is a deficit of human capital among rural Americans. They get less education than urban residents. In 1988, rural workers aged 18–64 had completed, on average, 12.7 years of schooling, whereas their metropolitan counterparts had completed an average of 13.2 years.[23] Rates of high school dropout are higher in rural than in urban areas; in 1985 the dropout rate was 15.2 percent in nonmetropolitan regions but 13.9 percent in metropolitan areas.[24] And college completion rates are about 10 percentage points higher in metropolitan areas (23.4 percent, in 1989) than in rural ones (13.2 percent.)[25]

Moreover, students in rural high schools have scored lower on the Scholastic Aptitude Test (SAT) than have other students, especially students in suburban schools. In 1988–89, the average scores of rural students on the verbal and math components of the SAT were 419 and 461; suburban students averaged 443 on the verbal test and 494 on the math test. Among high school students in rural counties, suburbs, small cities or towns, medium-sized cities, and large cities, students in rural areas had the lowest average math score. Rural students, however, did score 2 points higher than students in large cities on the verbal component. Even so, the rural scores were lower than the scores for students as a whole.[26]

Nonmetropolitan residents not only have less education than urban residents; they also have less work experience. The unemployment rate among 16–24 year olds in rural areas was 11.8 percent in 1987; among those in urban counties, it was 8.4 percent.[27]

Clearly, rural workers possess smaller amounts of human capital—be it education or cognitive skills—than do urban workers. Given this, it is not surprising that poverty rates are higher in nonmetropolitan than in metropolitan areas.

But human capital is only one-half of the equation. The other half involves employers and the rewards they give to workers in relation to the skills of those workers. The evidence cited by the Persistent Rural Poverty Task Force indicates that employers reward the education and experience of rural workers less than they reward those of metropolitan workers. About two-thirds of the earnings gap between rural and urban men is due to the fact that education and experience command fewer dollars in rural areas than in metropolitan regions.[28] Rural workers are more likely to be poor than are urban workers with the same amount of schooling.[29] More than 43 percent of full-time, full-year rural workers who were high school graduates earned less than the poverty line (for a family of four) in 1987, up from 29.2 percent just eight years earlier. Large discrepancies exist even among college graduates. In 1987 the share of college-educated workers in rural areas who had low earnings was 57 percent higher than that of college-educated workers in urban areas; in 1979 it was 26 percent higher.[30] Not only are education and work rewarded less in rural areas; the earnings of rural workers relative to those of urban workers have declined dramatically.

In light of these facts, the Task Force rejects an explanation of rural poverty based solely on deficits in rural human capital. Instead, in the estimation of the Task Force, "Rural America suffers primarily from a deficit of good jobs, not good workers."[31] By itself, raising the educational levels of rural persons would not necessarily alleviate rural poverty, although education in rural areas, as in all areas of the United States, certainly can and should be improved. But according to the Task Force, *"The fundamental problem resides in the low wages and inadequate employment opportunities found in rural America, especially among young adults, minorities, women, and the least educated."*[32] Low wages and inadequate employment opportunities translate into poverty rates among minorities and women that are particularly high. In 1989, 15.9 percent of all rural residents were poor: 40.0 percent of blacks, 34.5 percent of Hispanics, and, in 1990, 18.1 percent of women (Tables 2 and 3).

The changing character of the rural economy

Just as poverty rates in rural areas have fluctuated over the past twenty-five years, so has the character of the rural economy. The Persistent Rural Poverty Task Force identifies three stages that have occurred since World War II. In the first stage, which lasted from 1945 until the consolidation of the Great Society programs in the 1960s, the economy of rural America was restructured. Productivity and efficiency increased in the primary rural industrial sectors—agriculture, forestry, fisheries, mining—meaning that fewer enterprises and laborers were needed to supply the market. Many workers relocated to urban areas to take advantage of the increasing job opportunities in the cities. In the process, pockets of poverty were left behind. Thus, the restructuring that took place generated and reinforced persistent rural poverty while it forced some rural workers to move to the cities in order to obtain jobs.

In the late 1960s and the 1970s, however, there was talk about a rural renaissance as rural communities and economies grew and revitalized. In this second stage, the population of many rural areas increased, as did the number of jobs in manufacturing and the service industry, offsetting the decline in agricultural and other resource-based employment.

But in the 1980s and 1990s, rural manufacturing industries began to weaken and could no longer compensate for the continuing declines in agriculture, fishing, mining, and forestry, industries that were once mainstays of the rural economy. Unemployment reached almost double-digit rates, business failures increased, local governments experienced fiscal crises, public services declined, and the rural population again began to decrease as residents migrated to cities.

The Task Force describes a number of general social forces that have been impoverishing rural areas dependent upon agriculture, fishing, and other resource-based industries. The first has been the loss of manufacturing jobs and the closing of entire plants, or what the Task Force calls rural deindustrialization. Hand in hand with this has been a decrease in the demand for skilled and semi-skilled workers in specialized, resource-based economies. During the 1960s and

Table 2
Poverty Rates for Individuals by Race/Ethnicity and Residence, 1989

			Metropolitan			
Race/ Ethnicity	Total	Nonmetropolitan	Total Metropolitan	Inside Central Cities	Outside Central Cities	Weighted N[a]
Total	12.9%	15.9%	12.1%	18.7%	7.6%	158,079
White	8.4	12.6	7.0	9.3	5.4	120,122
African American	30.8	40.0	29.1	33.2	20.0	19,270
Hispanic	26.3	34.5	25.7	29.4	18.5	13,342
Mexican	28.6	37.9	27.7	29.3	21.8	8,543
Other Hispanic	22.2	21.8	22.2*	29.5	11.8	4,799
Native American	22.9	30.3	15.7	15.7	14.3	887
Other	14.5	16.7	14.3*	19.8*	9.7	4,459

Source: Reprinted from *Persistent Poverty in Rural America*, Rural Sociological Society Task Force on Persistent Rural Poverty, 1993, by permission of Westview Press, Boulder, Colorado. P. 176. Data are from March 1990 Current Population Survey.

*Difference with respect to the nonmetropolitan rate is *not* significant at .05 using a two-sample test for the significance of differences in proportions.

[a]Weight is divided by mean weight to yield N's approximately equal to CPS sample size. The total metropolitan column includes some cases that, to protect confidentiality of respondents, were suppressed on the central city/non-central city identifier.

Table 3
Percentage of Metropolitan and Nonmetropolitan Populations Living in Poverty, by Race, Ethnicity, Region, Sex, and Age: 1990

	All Races		White		Black		Hispanic	
	Male	Female	Male	Female	Male	Female	Male	Female
Metropolitan								
Total	11.0%	14.3%	8.6%	11.1%	26.0%	33.7%	25.7%	29.8%
< 18 years	19.8	20.2	15.1	14.9	42.0	44.3	39.3	37.1
18–64 years	7.8	12.1	6.6	9.5	16.6	28.2	18.5	26.1
65–74 years	5.6	11.1	3.7	8.9	20.2	31.6	15.7	22.0
≥ 75 years	7.7	17.7	6.1	15.5	26.8	40.7	18.6	29.5
Nonmetropolitan								
Total	14.5	18.1	11.8	15.0	37.2	44.0	31.8	32.3
< 18 years	23.1	22.7	18.4	18.4	53.4	51.7	42.6	38.6
18–64 years	11.1	15.6	9.6	12.9	24.8	39.0	23.5	28.1
65–74 years	8.9	15.9	6.5	13.9	41.2	41.7	39.4	29.7
≥ 75 years	15.2	24.8	11.8	22.3	50.3	54.2	40.0	38.5
Northeast								
Metropolitan	9.5	13.4	7.4	10.6	26.1	31.7	31.3	41.4
Nonmetropolitan	9.2	11.3	9.0	11.4	11.8	3.0	14.3	16.7
Midwest								
Metropolitan	10.2	14.0	6.8	9.3	31.0	40.7	19.6	26.3
Nonmetropolitan	12.0	14.3	11.3	13.8	27.5	30.0	17.9	20.5
South								
Metropolitan	12.0	15.7	8.9	11.5	24.9	32.5	24.8	26.7
Nonmetropolitan	18.0	22.7	13.0	16.8	37.8	44.9	37.8	37.2
West								
Metropolitan	11.6	13.8	11.0	12.8	19.0	27.1	25.2	27.6
Nonmetropolitan	13.0	16.6	12.1	15.8	41.7	38.2	28.1	30.0

Source: Reprinted from *Persistent Poverty in Rural America*, Rural Sociological Society Task Force on Persistent Rural Poverty, 1993, by permission of Westview Press, Boulder, Colorado. P. 203. Data are from March 1990 Current Population Survey.

1970s, rural manufacturing plants provided employment for farmers, timber harvesters, and the like, whose jobs had been lost owing to the increases in production and efficiency discussed above. But the restructuring of the U.S. economy that occurred after the oil embargo in 1974 effectively eliminated this safety net, and the profound effect it has had on rural poverty has yet to be adequately studied.

A second force is the economic and political influence of resource-extraction firms in rural areas, particularly with respect to the decision of an individual who lives within the sphere of a firm's influence to pursue an education. These firms offer few jobs, most of which do not pay well. Thus, a potential employee has little incentive to upgrade his or her education, since high-paying jobs requiring special skills or knowledge are not present. This underinvestment in human capital can result in a pool of young, local workers incapable of meeting the rapidly shifting skill requirements of today's labor markets. (In addition, the Task Force points out that school boards and other governing bodies in rural communities have a disincentive to invest heavily in local school systems, since many graduates leave for jobs in the cities.)

Federal and state agencies that manage the resources in a particular region may become controlled by their most powerful clients, which means that less powerful clients such as small farmers, family-based logging contractors, tribal residents on reservations, and small-scale fishing enterprises may lose access to resources necessary for the success of their business. Moreover, a firm that controls a particular government agency may extract resources in a way that hinders the enterprises of the lesser clients, as when an oil driller disrupts the subsistence fishing of Native Alaskans.

Yet a fourth force is the surge in environmentalism. The Task Force cites social scientists who believe that "the United States is undergoing fundamental changes in basic values, including a shift from viewing nature as a resource to be exploited to a view of nature as a diversity of living forms worthy of care and preservation."[33] No one can predict what the ultimate effect of this shift will be.

Finally, a fifth force described by the Task Force deals with the spatial and organizational characteristics of resource-extraction firms. Resource extraction often occurs in remote areas, where it is the only employment in town; it can pay low wages, since the pool of workers from which it draws has no other viable employment option. Furthermore, resource-extraction firms often gain control of large amounts of land in an effort to control future supplies of the natural resources they market, thereby preempting other land uses.

Can people mobilize local resources and create viable local economies in the face of the resource depletion, automation, and capital flight associated with increasingly global economic competition? According to the Task Force, this is an important question facing rural communities whose major industry is the extraction of resources. The answer to this question will depend upon the alliances among the employees of resource-extraction firms, corporate decision makers, and state policymakers; environmental groups will also have an impact. The way in which these factions respond to the social processes described above will help determine the future course of economic development and the level of poverty in communities that depend upon activities such as agriculture, fishing, mining, and timber harvesting for their livelihood.

Rural policy in the United States

According to the Task Force, the national government has been handicapped in addressing the problems of rural poverty. Rural society and rural problems have been changing and continue to change; the mechanisms used by the government to deal with those changes have not.

U.S. rural policy could be said to have begun with the authorization of the U.S. Department of Agriculture (USDA), in 1862. With the inception of the USDA, rural policy became farm policy, and has remained so up to this day. Rural policy as farm policy reflected the nation's status as a society of farmers and those who depended on them. It also reflected the fact that, in the 1860s, the one rural constituency that had the ear of Congress was composed of farmers and others who had an economic interest in agriculture; it was this constituency that had lobbied for the establishment of the USDA. The fact that Congress was willing to appease this constituency was due in large part to the status that farmers and the agrarian life had attained (and perhaps still enjoy) in the imaginations of most Americans. Farmers were heroic, continually battling against the uncertainty of weather, settling and developing frontier lands, nurturing scarce natural resources. The agrarian life was seen as simple and innocent and fundamental to American life. Indeed, democracy itself, it was believed, was sustained by farmers' citizenship and moral judgments. In time, an agricultural establishment developed that has monopolized rural policy to the present. At the same time, the agricultural industry has become the sector of rural America that is easiest for policymakers to identify and serve, further strengthening the grip that the agricultural establishment has on rural policy.

PERSISTENT POVERTY IN RURAL AMERICA

by

Rural Sociological Society Task Force on Persistent Rural Poverty (Foreword by Emery N. Castle)

Westview Press, Boulder, Colorado, 1993

To order a copy of *Persistent Poverty,* write to Westview Press, 5500 Central Avenue, Boulder, Colo., 80301–2877; the cost is $44.

The USDA had a scientific mission: to develop and foster new seeds and plants. This was the beginning of a movement in public policy toward modernizing the agricultural industry. As a result of modernization, farm productivity increased, fewer and fewer farmers were needed to grow the food the country required, and farmers were thus forced to compete with one another to supply the market. As some farms prospered, others went into financial ruin, creating a new population of poor rural residents and a growing disparity between those who had and those who had not.

Early in the twentieth century, the U.S. government began to recognize that poverty was increasing in rural areas and allowed that a more comprehensive rural policy was needed. The result was the 1909 Report of the Country Life Commission, which acknowledged that farming had become a risky business and that modernization had failed many farmers. The report concluded, however, that to rejuvenate rural society, the country needed a viable, technologically progressive agriculture. Thus, the government reaffirmed its commitment to industrialized farming. Lawmakers created costly programs to assist those farmers who were still in operation, ignoring those who had gone out of business and the rural poor who were never farmers.

This "farmers-first" approach dominated rural policy into the 1960s. Since then, rural residents have benefited from antipoverty programs, such as those created during the Johnson administration; moreover, provisions for the disadvantaged, for consumers, and for the environment were added to farm bills of the 1970s and 1980s that served rural interests. Yet, in the assessment of the Task Force, policymakers still have not addressed adequately the needs and problems of nonfarm rural residents in their own right.

Theories of Rural Poverty

Three theories have been offered over the years to explain persistent rural poverty: the human capital theory, which contends that people are poor because they do not have the skills to obtain good-paying jobs; the economic organization theory, which maintains that poverty results from a lack of job opportunities; and the culture-of-poverty theory, which argues that a person's lifestyle precludes economic success. The Task Force finds these theories to be incomplete or logically flawed and recommends that the following ten theories be taken up by researchers who wish to better understand the causes of poverty in rural America. (Taken from pp. 12–18 in *Persistent Poverty in Rural America*. See those pages for fuller statements of these theories.)

Social embeddedness theory. Work activities occur within the context of social relations; they are "embedded" in local social contexts. For instance, the way in which a husband and wife divide household responsibilities is determined in part by the relationship between men and women in general, particularly in the local community.

The feminist critique. The economic opportunities of women are a function of the wage labor market, which rewards women less than it does men; the high percentage of women who take informal jobs or who work for no pay, such as homemakers; and state policies concerning women, work, and welfare. It recognizes the role of women in sustaining the material conditions for social life.

Biography and history. The work life and economic position of an individual must be placed in historical context; they are "period effects" of the time in which he or she lived. Just as important as personal characteristics are the economic realities of a person's working-age years; those realities shape that person's employment career and help determine his or her financial well-being.

Community theory. An individual defines himself or herself as a person and as a laborer in terms of the social relations and work life that are intrinsic to his or her community. Maintaining this sense of "who you are" is important, too important to lose by deserting the community in search of better job opportunities elsewhere.

Institutional theory. Impoverished groups still live and work in the shadow of oppressive institutions, such as slavery and Jim Crow in the case of blacks, reservations in the case of Native Americans, and exploitative migrant labor markets in the case of Hispanics.

Rational underinvestment in human capital. Workers do not increase their education or acquire technical, marketable skills, when they believe the job market will not reward them. Also, governing bodies and managers of rural industries have a disincentive to invest in local school systems, since, in the case of the former, graduates often leave for jobs in cities, and, in the case of the latter, the managers often prefer low-skilled, non-union workers.

Dependency theory. The dependency of communities on certain industries and on urban areas for trade hampers the economic well-being of those communities and their residents. This is particularly so in the case of remote localities whose economies depend upon resource extraction.

Moral exclusion theory. There are "ideological and moral foundations" of poverty. Poverty research should take into account mainstream society's indifference toward the rural poor and its antagonism toward minority populations (rural and urban) and all persons who deviate from middle-class norms of behavior.

Global economic restructuring theory. "Internationalizing forces" have been important in exacerbating rural poverty. Among these forces are the emergence of a global market in money and credit; the rapid rate at which industries have moved from one country to another over increasingly unregulated nation-state borders; and the profound economic restructuring that has occurred as the International Monetary Fund, the World Bank, and many national governments have allowed the marketplace to determine how resources should be allocated.

Nation-state theories. The institutional apparatus of a country's government is responsible for high poverty rates. In the United States, governing institutions have been unable to respond to the wide range of rural needs, in large part because policymakers have always mistakenly assumed that rural policy and agricultural policy are one and the same.

Several recent developments have had an impact on rural dwellers. The Reagan-Bush White House lessened the federal government's role in supporting local communities, leaving already poor areas worse off. The global economy opened U.S. markets even wider to foreign goods, forcing farmers in this country to compete directly with producers in other parts of the world, many of whom have cheaper labor, land, and raw materials. And the national debt has limited the monies that the government can allocate to welfare programs and investment projects in rural areas. The public has begun to question whether the government already gives too much financial support to large commercial growers who are relatively wealthy.

As these developments occurred, basic rural policy goals shifted. Prior to 1980, rural policy depended heavily upon income transfers to redistribute wealth while simultaneously maintaining the high economic position of the politically powerful, especially farmers. Under Reagan and Bush, rural policy focused less on redistribution and more on increasing the ability of individuals to contribute to the national economy. Goals included (1) spending less on direct support to the poor and unemployed, (2) increasing the productivity of rural workers, (3) protecting the environment, and (4) providing equitable but limited access to available government programs. The emphasis was on efficiency, on getting the greatest return from the public dollars that were invested. In the assessment of the Task Force, this forced rural communities to compete with one another, with some rural places receiving no support at all.

The major recent piece of legislation dealing with rural America is the 1990 Farm Bill. This bill created the Rural Development Administration (RDA), whose mission is to make rural locations more attractive for businesses through strategic planning, business development, and improving the local infrastructure. Funding for the RDA, however, has been minimal.

What can we do?

The Task Force authors point out that rural policy has failed in part because it created a population of farmers who could not compete in the agricultural market once modernization and increased productivity took their toll. Other factors are also to blame, such as the lack of social welfare programs designed specifically for the rural poor and the retrenchment in spending during the 1980s on welfare programs generally; the internationalization of the U.S. economy; and laissez-faire capitalism itself, which limits the extent to which the economy can be tinkered with to rescue victims of market competition.

But perhaps it all comes back to the fact that policymakers have failed to respond to the reality that rural society is made up of more than farms. As Emery N. Castle, Chair of the National Rural Studies Committee that helped create the Persistent Rural Poverty Task Force, declares, the "fundamental, defining characteristic of rural America [is] its enormous diversity."[34] He points out that the problems faced by poor Native Americans who live in rural areas of the upper Midwest are different from the ones faced by the poor in rural Appalachia or in the Mississippi Delta. Indeed, location itself is important to consider in developing strategies to alleviate rural poverty. According to the Task Force, policies that foster economic development in specific places—rather than policies that target particular industries, such as the agricultural industry—are needed to alleviate rural poverty. The Task Force recommends a regional development strategy centered on small-scale manufacturing to help lessen rural poverty and points out that even the traditional approach that asks a rural resident to become adequately educated in a rural school but move to an urban area where the job opportunities are greater requires place-specific initiatives. Why, they ask, force workers to move from a region they feel attached to, when the spirit of democracy would call for us to evenly distribute economic opportunities among all places, rural and urban? ■

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[1]"On Not Reaching the Rural Poor: Urban Bias in Poverty Policy," *Focus*, 4:2 (Summer 1980), p. 5. The article made this statement in reference to the conclusion of a chapter in *A Survey of Agricultural Economics Literature*, Vol. 3 (Minneapolis: University of Minnesota Press, 1981) titled "The Economics of Rural Poverty—A Review of Post-World War II United States and Canadian Literature," by former IRP affiliates Keith Bryant, Lee Bawden, and William Saupe.

[2]Apparently, this inattention is not confined to published works alone; a search of key words (e.g., "rural poverty," "rural poor," "nonmetropolitan poverty") in the titles of dissertations completed between July 1980 and June 1992 using the CD-Rom services at Memorial Library, University of Wisconsin–Madison, yielded only three dissertations whose titles suggested that they examined rural poverty in the United States.

[3]The centers are located on the campuses of Iowa State University, Mississippi State University, Oregon State University, and Pennsylvania State University. Their purpose is to help identify important research and educational issues and develop strategies for dealing with them to improve the social and economic well-being of rural residents.

[4]Rural Sociological Society Task Force on Persistent Rural Poverty, *Persistent Poverty in Rural America* (Boulder, Colo.: Westview Press, 1993), p. 3. The nine working groups are on natural resources; the spatial location of economic activities; human capital investment; work structures and labor market dynamics; racial and ethnic minorities; the rural elderly; rural women; the state and rural poverty; and children and families.

[5]*Persistent Poverty*, p. 20. Over three-fourths of the U.S. population lived in metropolitan areas in 1990 (U.S. Bureau of the Census, *Statistical Abstract of the United States: 1992* [Washington, D.C.: U.S. GPO, 1992], p. 29, Table 33).

[6]Personal communication with the U.S. Census Bureau, February 3, 1993. Income includes money from wages, salary, self-employment, dividends, interest, rent, royalties, pensions, and child support, plus cash benefits from public assistance and social insurance programs. The members of the Task Force are aware of and discuss the problems with the official poverty line; see *Persistent Poverty*, pp. 4–6. See also Patricia Ruggles, "Measuring Poverty," *Focus*, 14:1 (Spring 1992), pp. 1–9.

[7]*Statistical Abstract*, p. 29, Table 33, and p. 643, Table 1075.

[8]*Persistent Poverty*, p. 6.

[9]*Persistent Poverty*, p. 32. The rural population figure of 56 million is from *Statistical Abstract*, p. 29, Table 33.

[10]Terry K. Adams and Greg J. Duncan, "Long-Term Poverty in Rural Areas," in *Rural Poverty in America*, ed. Cynthia M. Duncan (New York: Auburn House, 1992), pp. 63–93; cited in *Persistent Poverty*, p. 40.

[11]U.S. Bureau of the Census, "Poverty in the United States: 1990," *Current Population Reports*, Series P–60, No. 175 (Washington, D.C.: U.S. GPO, 1991); cited in *Persistent Poverty*, p. 40.

[12]Glenn V. Fuguitt, David L. Brown, and Calvin L. Beale, *Rural and Small Town America* (New York: Russell Sage Foundation, 1989); cited in *Persistent Poverty*, p. 40.

[13]Kenneth Deavers and Robert Hoppe, "Overview of the Rural Poor in the 1980s," in *Rural Poverty in America*, pp. 3–20; cited in *Persistent Poverty*, p. 68.

[14]*Persistent Poverty*, p. 292.

[15]The statistics cited in this and the following two sections come from chapter 1 of *Persistent Poverty*, written by Robert Hoppe; Hoppe used data from the income supplement of the Current Population Survey (CPS) and from the Bureau of Economic Analysis. For more on the CPS, see Robert M. Hauser, "What Happens to Youth after High School?" *Focus*, 13:3 (Fall and Winter 1991), pp. 1–13.

[16]Like the Census Bureau, whose data are used by the Task Force, this arti-

cle distinguishes among "metropolitan" areas and the two regions they comprise: "suburbs" and "central cities" (i.e., inner cities). Thus, "metropolitan" refers to suburbs and inner cities together.

[17]The corresponding proportion for urban areas is less than one-fourth. Robert Hoppe, "Rural Poverty Stabilizes," *Rural Conditions and Trends*, 2 (1991), 16–17; cited in *Persistent Poverty*, p. 27.

[18]See pp. 22, 24, and 27 in *Persistent Poverty*. Both amounts are in 1989 dollars; income includes money from all sources, including welfare payments and property income.

[19]The South includes Alabama, Arkansas, Delaware, the District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

[20]*Persistent Poverty*, p. 134. It is also the case that inner cities no longer offer chances for economic improvement, especially for minorities.

[21]*Persistent Poverty*, p. 181.

[22]*Persistent Poverty*, p. 250.

[23]David A. McGranahan and Linda M. Ghelfi, "The Educational Crisis and Rural Stagnation in the 1980s," in *Education and Rural Economic Development: Strategies for the 1990s* (Agriculture and Rural Economy Division, Economic Research Service, USDA [ERS Staff Report No. AGES 9153], 1991), pp. 40–92; cited in *Persistent Poverty*, p. 45.

[24]Paul Swaim and Ruy A. Teixeira, "Education and Training Policy: Skill Upgrading Options for the Rural Workforce," in *Education and Rural Economic Development*; cited in *Persistent Poverty*, p. 45.

[25]*Persistent Poverty*, Table 2.2, p. 46.

[26]*Persistent Poverty*, Table 2.3, p. 47.

[27]Alan R. Bird, *Status of the Nonmetropolitan Labor Force, 1987* (Washington, D.C.: U.S. GPO, 1990); cited in *Persistent Poverty*, p. 47.

[28]Diane K. McLaughlin and Lauri Perman, "Returns vs. Endowments in the Earnings Attainment Process for Metropolitan and Nonmetropolitan Men and Women," *Rural Sociology*, 56 (1991), 339–365; cited in *Persistent Poverty*, p. 48.

[29]Isaac Shapiro, *Laboring for Less: Working but Poor in Rural America* (Washington, D.C.: Center on Budget and Policy Priorities, 1989); cited in *Persistent Poverty*, p. 48.

[30]Lucy Gorham, "The Growing Problem of Low Earnings in Rural Areas," in *Rural Poverty in America*; cited in *Persistent Poverty*, p. 49.

[31]*Persistent Poverty*, p. 42.

[32]*Persistent Poverty*, p. 64. Italics in original.

[33]*Persistent Poverty*, p. 140.

[34]*Persistent Poverty*, pp. x–xi.

Figure 1 in "Income and Higher Education," by Charles F. Manski, which appeared on page 17 in *Focus* 14:3 (Winter 1992–1993) contained an error; two columns were transposed in proof. The correct version of the figure appears below.

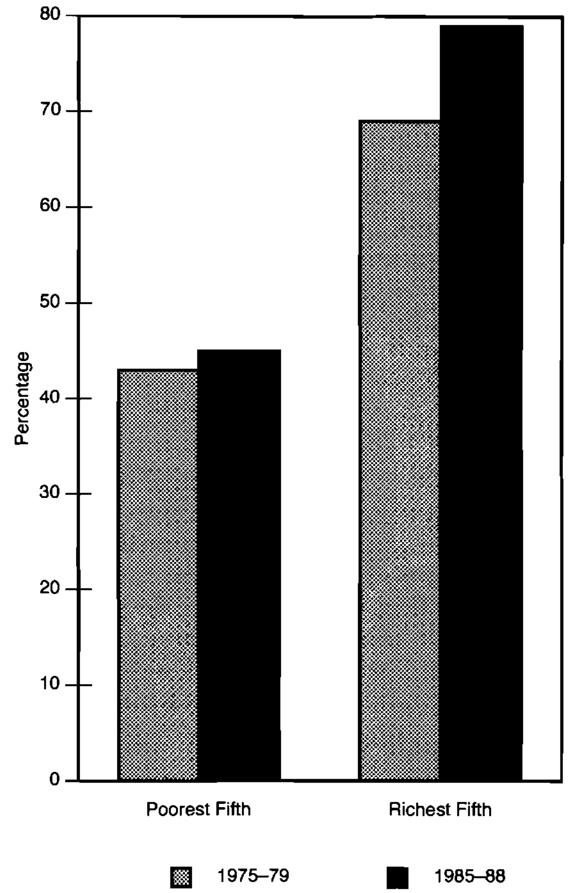

Figure 1. Percentage of Poorest Fifth and Richest Fifth of 18- and 19-Year-Old High School Graduates Who Attended College in 1975–79 and 1985–88.

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