



# Focus

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## The idea of a negative income tax: Past, present, and future

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Robert Lampman was a seminal figure in the history of research on poverty in general and on the negative income tax (NIT) (see box, p. 2). He was also a key figure in the development of the War on Poverty, in the founding of the Institute for Research on Poverty, and in other important poverty-related events in the 1960s and early 1970s. In this essay I discuss Lampman's writings on the NIT and, briefly, those of other early NIT advocates, and

review how NIT proposals have fared in the evolving U.S. welfare system.<sup>1</sup> My focus will be on the design of an optimal welfare system, one of the more important questions posed by the early NIT literature.

### Lampman and the other early NIT advocates

In the mid-1960s the NIT was one of the most heavily discussed antipoverty policies, and Lampman became one of its most influential advocates, if not its single most influential advocate. Although Milton Friedman is usually credited with first outlining and publicizing the idea of an NIT in 1962, Lampman nevertheless wrote the largest number of carefully considered, analytic papers on the subject.<sup>2</sup>

## How Does the Negative Income Tax Work?

"In [the] purest form [of an] NIT,...[t]he needy would, like everyone else, simply file annual—or perhaps quarterly—income returns with the Internal Revenue Service. But unlike other filers who would make payments to the IRS, based on the amount by which their incomes exceeded the threshold for tax liability, NIT beneficiaries would receive payments ('negative taxes') from the IRS, based on how far their incomes fell below the tax threshold. The NIT would thus be a mirror image of the regular tax system. Instead of tax liabilities varying positively with income according to a tax rate schedule, benefits would vary inversely with income according to a negative tax rate (or benefit-reduction) schedule."<sup>1</sup> For example, a family of four with no other income might receive a \$6,000 benefit—called the "guarantee" in the accompanying article—and, with a 50 percent tax rate, the benefit would be reduced by \$500 for every \$1,000 it earned. Hence if the family earned \$1,000, its benefit would be reduced from \$6,000 to \$5,500.

<sup>1</sup>Jodie T. Allen, "Negative Income Tax," in *The Concise Encyclopedia of Economics*, ed. David R. Henderson (Indianapolis: Liberty Fund, Inc., 2002). [Online] available from <<http://www.econlib.org/library/Enc/NegativeIncomeTax.html>>.

Lampman's approach to the NIT was cautious; it was intended to be practical and politically feasible. His vision of the NIT was not so radical as that of many other early writers, and he was very conscious of cost considerations, although clearly favoring an increase in overall expenditure in order to reduce poverty. As many others have noted, Lampman was never as extreme in his views as many other antipoverty economists; he was in many ways a rather conservative reformer.

In Lampman's first discussion of the NIT, in 1965, he revealed many of the characteristics of his approach, which was to set the income guarantee reasonably low so that the tax rate could also be set low to provide sufficient work incentives.<sup>3</sup> He recognized that the poverty gap would not be completely filled by such a plan; he regarded an NIT which would completely fill the gap as far too costly.<sup>4</sup> He also believed that the NIT should be only one approach to poverty reduction among many; education, training, health, housing, residential relocation, antidiscrimination, and other programs should accompany it.

In a 1968 essay, Lampman provided further details. He argued that the tax rate should be set to maximize the reduction in the poverty gap per dollar of expenditure and suggested that 50 percent might be an approximately correct rate.<sup>5</sup> Interestingly, he also suggested that the main purpose of the NIT was not to replace welfare—then called Aid to Families with Dependent Children (AFDC)—but rather to provide benefits to two-parent families and single individuals. He even proposed leaving the AFDC program in place for single parents and viewing the NIT only as a supplement to it. He suggested that the federal government establish a minimum AFDC benefit, to ensure that its guarantees would not be less than those in the NIT. Also, and this is of interest to my discussion here, he suggested that distinctions could be made between those who can work and those who cannot (although he did not use this language) and that the former group be given lower guarantees and tax rates than the latter. He suggested that families headed by an able-

bodied male and those with low wage rates, among others, be in the former group. Thus Lampman saw a form of work requirements and categorical separations as compatible with his vision. He perceived the possible marriage disincentives of NIT plans and suggested that guarantees for single individuals be kept low as a result. And he again emphasized the need to complement the NIT-AFDC system with other approaches to assisting the poor.

### Other early ideas of an NIT

Reformers more radical than Lampman had many other reasons for favoring an NIT. A fairly comprehensive list would include the following:<sup>6</sup>

- increased work incentives for those then on AFDC;
- extended and universal eligibility to all families and individuals;
- eligibility based only on income and family size;
- a federalized system with no state variation in benefits;
- the replacement of all other welfare programs by an NIT;
- a simplified administration of benefits given the simplicity of the NIT benefit formula, leading to more efficient administration, and improvements resulting from the use of "rules" rather than "discretion"; and
- a reduction in welfare stigma, because no invidious personal distinctions need be made, and welfare recipients would feel that they were being treated more fairly.

Although each of these features can be separated and argued for somewhat independently from the rest, the radical NIT advocates believed that enacting them all together would create a new welfare system with a new "culture" of welfare. The effects of all enacted simultaneously would be greater than the sum of the effects of each taken individually, because of the interactions among them.

This has, of course, not happened. At best, we have experienced only partial, incremental reform in a few of the directions suggested by the NIT. Most have not come to fruition at all or the trend has been in the opposite direction. There has been some progress on the work-incentive issue, as discussed below, but no universal, NIT-like cash program for single individuals or two-parent families has been enacted (although we have an expanded Food Stamp Program that partially serves that function). Benefits are not based solely on income and family size, as also discussed below, because of work and other requirements. There has been no federalization of welfare, nor is a minimum benefit on the political agenda. Programs other than cash welfare have proliferated rather than being reduced. Since 1996, administration is more complex than ever, and the stigma of cash welfare receipt has increased rather than decreased. In the remainder of this essay, I examine in more detail the work-incentive question and the issue of multiple programs.

## Work incentives

The idea of work incentives in the NIT was clear to all the early authors, but the first to provide a graphical analysis with budget constraints and indifference curves were Michael Boskin and Christopher Green.<sup>7</sup> Boskin and Green showed that an NIT would reduce work incentives but that the amount of the reduction depended on the levels of the guarantee and tax rate, and that work disincentives could be minimized by the choice of those parameters. Lampman agreed with this assessment and, like others, emphasized that cost had to be taken into account as well.

The major issue that has preoccupied analysts since those early discussions concerns the effect of reductions in the tax rate on the work incentives of those not initially eligible for the program; their work effort would likely fall as a result of entry. The net effect of a tax-rate reduction on average labor supply is consequently now understood to be ambiguous; it could be zero or even negative. The empirical evidence from simulations and experimental and nonexperimental econometric studies suggests that this is a real, if not likely, eventuality, especially for men and women in two-parent families.<sup>8</sup> The possibility that this might occur was recognized formally in the early literature but received very little emphasis. Most emphasis was instead on the cost implications of tax-rate reductions. The tradeoff between tax-rate reductions and increased cost received the most attention, but it was presumed that tax-rate reductions would necessarily increase work incentives.

This finding does not imply that tax-rate reductions are undesirable, and instead only demonstrates that distributional considerations must play a role in choosing the tax rate. It may be that increases in the labor supply of those initially on the welfare rolls, who are typically the most disadvantaged and those with the lowest work skills, may

outweigh in importance any labor supply reductions from those brought onto welfare by the NIT. But there must be a limit to this, for in some situations the latter effects would be so large relative to the former that the tax-rate reduction would be undesirable.

For this reason, much of the early NIT literature on work incentives was rather misguided, because it did not address what is termed by economists the “optimal tax” problem of how to distribute taxes and transfers to maximize some social welfare function with assumed distributional weights. Indeed, redistribution of the type we are discussing here, such as reducing the tax rate in a welfare program, is necessarily non-Pareto-optimal because either taxpayers are made worse off by the increase in expenditure or other recipients are made worse off if total expenditure on welfare is held fixed (because more money must be paid to working recipients).<sup>9</sup> A similar result extends to labor supply, for if the problem is posed correctly, increasing work incentives for one person necessarily decreases them for someone else.

The optimal tax formulation of the problem seems to be the obviously correct one—I say “seems” because in a moment I will argue that it is not—and early work on the optimal tax, including that of James Mirrlees, showed that an NIT can be generated as optimal by a utilitarian-type welfare function.<sup>10</sup> A less general approach to the distributional question holds expenditure on the NIT fixed and asks how the guarantee and tax rate should be set to maximize some social welfare function, *conditional on a given level of expenditure*. This approach may be narrower but it is more workable. Indeed, much of the literature on the NIT (and many other transfer programs) is flawed by not holding expenditure fixed. Politically, this has led to a situation where proposed structural welfare reforms have been opposed not because of their merits in changing the structure of the system but because of their expenditure implications. Conservatives opposed expenditure-increasing NIT plans, for example, and liberals opposed expenditure-reducing work requirements and time limits in more recent times.

Here Lampman, alone among the early NIT advocates, proposed the defensible criterion of choosing the guarantee and tax rate to maximize the reduction in the poverty gap per dollar of expenditure. He did favor increases in expenditure but, by using this criterion, allowed a clear separation between preferences for the level of expenditure and preferences for how to allocate a given level. One may, of course, quarrel with the poverty gap as a good measure—it ignores the endogenous labor supply problem, for example, and has a particular distributional weighting function—but other objectives could be substituted and the per-dollar expenditure criterion could still be maintained.

In summary, then, from today’s standpoint the labor supply effects of the NIT are not at all so clear as they were in

the days of its original development. This is not just a historical issue; it is highly relevant to current welfare policy. Since 1996 the tax rate in programs under Temporary Assistance for Needy Families (TANF, the successor to AFDC) has been reduced tremendously across the states, from 100 percent down to 50 percent and even down to 0 percent occasionally (accompanied by a maximum income limit, or notch).<sup>11</sup> It is not clear that the average labor supply effects of these reductions are positive, nor what their social welfare implications are.

## Work requirements

An optimal-tax or expenditure-fixed approach to choosing the guarantee and tax rate is attractive—it is a conceptually simple way of weighting the gains of winners and losses of losers from any change in social policy and hence is comprehensive in its scope. However, I would argue that it has been rejected by the American public and, for that reason, should be discarded by researchers as well. It portrays the problem of setting NIT parameters

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## Robert J. Lampman and the Negative Income Tax Experiment

*Robert J. Lampman was born in 1920 in Plover, Wisconsin. He received his B.A. degree and, in 1950, his Ph.D degree in economics from the University of Wisconsin. After faculty appointments at the University of Washington, he returned to the Department of Economics at Wisconsin as a professor in 1958. He served two periods as chair of the department, and was named John Bascom Professor of Economics in 1967 and William F. Vilas Research Professor of Economics in 1972.*

*Robert Lampman had a distinguished career of research in the areas of labor relations, income distribution, and social welfare policy. He served as a consultant to or member of many state, federal, and international agencies, most notably the President's Council of Economic Advisers (1961–65), and was a member of many task forces, including the Task Force on Poverty (1964) under President Lyndon B. Johnson.*

*In 1981 and again in 1985, Professor Lampman was extensively interviewed as part of the Oral History Project of the University of Wisconsin–Madison Archives. In the following brief extracts he discusses his own involvement and that of IRP in the Negative Income Tax Experiment. The design, conduct, and analysis of this experiment (its two main segments are the New Jersey Income Maintenance Experiment and the Rural Income Maintenance Experiment) were important to the evolution of IRP and to poverty research in general. The New Jersey experiment is regarded as an outstanding example of interdisciplinary research in close cooperation with government planners.*

During that period of '65 in the winter and spring, I was a consultant with OEO [the Office of Economic Opportunity]. And I had drafted a paper on negative income taxation, which was part of their preparation for what I think was an historically important document called the "Antipoverty Budget," which [Sargent] Shriver [then head of OEO] presented to President Johnson. In the "Antipoverty Budget" they recommended a very substantial negative income tax. And that was never released. It was never released during that Johnson presidency. Because he, himself, rejected the negative income tax. But that shows how far they had gone inside OEO in firming up a strategy against poverty. . . . They were fine people, and very able. They were a very different cut of people from the traditional specialists in social welfare programs. . . .these were a new bunch of people brought into the poverty field. So they were not without their critics, especially from the old line establishment. New Dealers, I guess you'd call them. And that is where they also ran into trouble with Johnson. They were radicals, in a sense. . . .

They were young people, coming brand new into the [poverty] field. This was part of the whiz kid approach, that economists could do anything, given a little time. They could catch up and surpass anybody else in understanding a

problem, and in relating it to government, and in evaluating. And this was sort of a peak experience for people in this profession. As I say, it kind of reached its peak in the Defense Department in that period. And in the Office of Management and Budget, where Charlie Schulz was the leading exponent of this application of economists to government problems. . . .

They were, in some sense, closer to engineering than to economics. The whole systems analyst approach is at some tangent to the mainline of economics....It is much more like a mechanistic, I guess I would put it, a mechanistic approach to economic phenomena. . . .And one of the things that of course was involved was the use of the computer. The use of mass data bases, of highly quantitative interpretations, and relatively little interest in what you might call central economic theory. . . . [from pp. 45–47]

In the period, 1965, the OEO people began to talk about an experiment. The thing that was surprising was that they suddenly turned around and said, "We don't want to turn this experiment over to an outside agency entirely. We would like the Poverty Institute to be a pass-through agency, or a participating member of the experiment." . . .

as one of balancing the desire to provide a minimum income to those not working by means of the guarantee against the desire to retain work incentives by means of a sufficiently low tax rate. This way of viewing the problem has failed with the American public, which does not believe that payments should be made to those who do not work unless strings are attached, i.e., unless work is required. Part of the idea of the NIT (appearing most explicitly in Friedman's work) was that payments should be made solely on the basis of income and family size; this would not only simplify administration but reduce invidi-

ous distinctions. Once those distinctions are allowed, the NIT, as understood by many economists and policy analysts, is much more restricted. Categorical distinctions are allowed between families and individuals, between two-parent and single-parent families, and between those in each family-structure category who "can" and "cannot" work. Individuals are treated quite differently within each category and the number of boxes into which individuals can be placed multiplies. The idea of providing work incentives with a single universal benefit formula disappears.

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[F]or various reasons which were best known to Sargent Shriver, I guess, they did ask the Institute to take a role. There was a lot of discussion . . . about whether the University should accept the role, whether the Institute for Research on Poverty should do that. If it didn't have a lot of decision-making power, it would become merely a pass-through agency, where you have liability but no responsibility, no authority. And that was worked out. . . .

And so when I got back [from Indonesia, where he had been working on a Ford Foundation project] at the end of the summer in '67, it appeared the Institute was going to be active, and the thing I got involved in—one of the things I got involved in—was helping to work out the model of the negative income tax to be administered in this pretend situation of an experiment. And I think one of the most satisfying periods in my life was dealing with an interdisciplinary group in writing a statute, if you want to call it that; a law which would be applied, of course, only to the experimental families. But it would be a prototype, perhaps, of a federal law that might some day exist, which would be nationwide in scope, and so on. . . .

We were developing, I guess you could call it the formula for determining benefits, and the eligibility conditions and the reporting conditions that would be established in paying out the benefits through the three-year period when experimental behavior was being observed.

Now this negative income tax experiment was—we were quite conscious—a first of its kind. And we thought it was terribly interesting for economic theory, for social policymaking generally, for econometrics. It was going to develop a mass data base useful for many kinds of research. And so there was a high level of enthusiasm. And this was sustained for quite a long time. And the Institute was one of the central points where things were happening and decisions were being made. . . .

This experiment, I suppose, has been criticized and sometimes praised because of what it did do and didn't do, what it found and didn't find. I suppose the harshest criticism that had the most meaning to me, at least, is that it was designed especially to find out how much change in work effort would flow from modification or variation of

a marginal tax rate on wages. We never found that out. We found out other things that were somewhat related. We found the combined effects of guarantees and marginal tax rates on earnings. And we found there was some modest change in work effort by intact family members, heads, and that men reduced their work effort at a certain rate, and that wives or secondary earners reduced their work effort at a different rate. But we didn't actually isolate the wage rate effect from the guarantee effect. And so that's a criticism. And I think it's a valid criticism, and an important one. This particular experiment has its true believers and it has people who say, "We can't really believe what they found." And it is true that all we can say is that in this particular controlled environment with a sample, scattered as it was, and so on, this appears to be what would happen. But if we were to actually enact a nationwide law with full glare of publicity and everybody knowing everything about it, and so on, then you might get different effects. And that's what we can't know. But we can say it offers *some* evidence for belief of what would follow if there were, in fact, such a program. So one can say it was a modest and innovative step in social science research and that it taught us all a lot. . . .

At this time, in 1981, it stands as one of the rather long series of social experiments in semi-controlled frame and people. . . . We are now in a position, probably, in this country to reflect on the broader aspect of experimentation in making social policy—policy about housing, policy about health insurance, policy about all types of cash benefit programs, perhaps even of some tax changes, where we would bring to bear evidence collected in the field, you might say, under the title of experimentation. So that the New Jersey Experiment takes its place in that history, and the evaluations are now, not about that experiment but about experimentation in a broader sense, involving a whole range of behavior patterns that can be identified. [from pp. 85–90]

*The complete tapes of the interviews with Robert Lampman, conducted by UW oral historian Laura Smail, are available through the University of Wisconsin-Madison Archives Oral History Project <<http://archives.library.wisc.edu/oral/oral.htm>>.*

Work requirements can instead generally be rationalized only if the social welfare function contains work as an explicit argument, instead of the utility or the income of the poor. Another way of saying this is to note that the American public is not willing to accept the preferences for work held by the poor themselves. To be sure, one can assign different guarantees and tax rates within each group in each categorical box. Indeed, this has been proposed many times by those who take work requirements seriously and are willing to discuss how to make them work. This includes Lampman himself, who, as I mentioned earlier, was willing to accept these distinctions and to assign lower guarantees both to single individuals and two-parent families with an able-bodied male. It includes analysts of the Social Security Disability Insurance Program like Donald Parsons, who proposed such a two-tier system for recipients of that program. And it includes theorists like George Akerlof, who noted that if individuals can be “tagged” with some characteristic correlated with unobserved work ability then it is possible—though not assured—that different guarantees and tax rates can be assigned to each group, with a resulting increase in social welfare.<sup>12</sup>

The welfare research community, both liberal and conservative, has failed to take the problem of work requirements seriously. Work requirements pose a complex screening problem in several dimensions; theorists such as Akerlof, Besley and Coate, Beaudry and Blackorby, and others have confronted this problem theoretically and have shown how difficult it is.<sup>13</sup> Clearly everything depends on the accuracy of the screening mechanism, the distribution of gainers and losers from any particular mechanism, and the selection of individuals into different categories. Yet in the entire body of research on welfare reform since the early 1990s, much less before, one can find almost no research on who is affected by work requirements, on the kinds of screening mechanisms actually used in various localities across the country, or on who the gainers and losers from different mechanisms might be.

In the absence of any evidence, it seems entirely possible that a system of work requirements could be developed which is reasonably fair, which balances both Type I and Type II errors (that is, the errors from incorrectly classifying those who can work as being unable to work and from incorrectly classifying those who cannot work as being able to work), which has an adequate appeals process, and which ultimately succeeds in treating different families differently by some characteristic other than income and family size.

### **Multiple programs and universal eligibility**

It is clear from the historical evidence that the idea of collapsing multiple programs into a single program, another feature of many NIT plans proposed by early advo-

cates, has so far failed. Indeed, the opposite has occurred, as programs for different target groups have proliferated. Once again, as with work requirements, the early NIT advocates failed to recognize that the social welfare function or the preferences of voters relate to *goods consumed by the poor*, not to their utilities or incomes; and that voters have ideas about who is needy and who is not that also enter their preference functions.

Real per capita expenditures on means-tested programs have grown tremendously over the last 40 years, and the growth in expenditures was most rapid in the late 1980s and early 1990s.<sup>14</sup> The growth, on average, has been mostly a result of growth in Medicaid, the Earned Income Tax Credit (EITC), Food Stamps, and Supplemental Security Income, that is, in programs for specialized needs. Per capita expenditures in the AFDC-TANF program, on the other hand, have fallen. Thus there has been a marked redistribution of expenditure away from single, nonworking mothers and toward (1) workers, (2) those in need of medical care, (3) the aged, blind, and disabled, and (4) those in need of food expenditure. The only real exception is the Food Stamp Program, which, as I noted earlier, is effectively the closest thing to an NIT in the United States. But it is also the case that the research community has failed to take categorization seriously, just as it has failed to take work requirements seriously, and there is relatively little work on better ways of categorization or the effects of the categorization that we have.

It should immediately be said that a Panglossian view that the current panoply of categorical programs is optimal and simply to be accepted as the revealed preferences of the voters should be rejected. There remain both pockets of uncovered poor—particularly childless individuals, single black males, and two-parent households, all of whom still receive short shrift from the system—as well as irrational overlaps in eligibility for some programs and lack of integration of benefit schedules. Since 1996 local, special-purpose programs have proliferated even more, without coordination and rationalization and with even heavier overlap.

The goal of universal eligibility, though partly addressed by the expanding multiplicity of programs covering yet more groups, is also far from being achieved. Here, again, developments have not followed the lines suggested by the early NIT advocates.

### **Earnings subsidies and the NIT**

Many current discussions of an NIT arise tangentially in discussions of earnings subsidies, a policy with a long history but which has regained currency in recent years.<sup>15</sup> In the last decade, some analysts have taken a strong position advocating earnings and wage subsidies in preference to an NIT. As examples they hold up the EITC, many programs like the Canadian Self-Sufficiency

Project, New Hope, and other welfare-to-work experiments, and some British earnings subsidies like the Working Families Tax Credit. The advocates of these programs often contrast them favorably with an NIT, arguing that these programs provide work incentives whereas the NIT provides work disincentives, and that these programs avoid the “unintended consequences” of an NIT.<sup>16</sup> Many of these new programs not only provide earnings subsidies instead of an NIT, they restrict their subsidies to full-time workers, thereby generating even greater work incentives, according to the advocates. The economist Emmanuel Saez has provided theoretical support for this argument by showing that a modified optimal tax framework can lead to the conclusion that an earnings subsidy rather than an NIT is optimal at low levels of earnings.<sup>17</sup>

The argument that these types of programs are superior to an NIT simply because of their effects on work incentives is fallacious, for several reasons. The most important is that earnings subsidies provide no income to those who do not work, yet the main innovation of the NIT was that it was a way to provide income to both nonworkers and workers, while preserving some work incentives. If an NIT-based welfare system were replaced by an earnings-subsidy-based one, work requirements would have to be introduced. Those who can work would receive the earnings subsidy but a zero (or low) guarantee if they did not work. Those who cannot work would receive a positive, or much higher, guarantee. Further, one can imagine doing this while holding total expenditure fixed, since there would be expenditure savings obtained from cutting off those individuals who can work but do not. Thus the proper comparison is between an NIT, on the one hand, and an earnings subsidy *plus* a work requirement system on the other. But given the problems with work requirement systems and the lack of evidence that they are, at least as currently constituted, welfare-improving, the superiority of the earnings subsidy approach is entirely unclear.

Some earnings subsidy advocates suggest that such subsidies could be introduced on top of an existing NIT system, without work requirements and with guarantees continuing to be paid to all nonworkers. In this way, work levels could be unambiguously increased without making anyone worse off. The flaw in this argument is that total expenditure is not held fixed. If it were, guarantees would have to be lowered at the same time as earnings subsidies are introduced, thereby making one group worse off. Alternatively, one could view the problem as a choice of how to spend a given level of additional funds. It could be spent on an earnings subsidy or on increased guarantee levels; in the former case, nonworkers are made *relatively* worse off. This choice is particularly germane for poor two-parent families, who currently receive almost no support from our system if they do not work. Is it optimal to spend more money on that group only if they work, or to boost their guarantees by some amount? If maximization

of work effort is the sole objective, one should always spend funds on workers, but no reasonable social welfare function would ignore the relative incomes of workers and nonworkers and the relative distributional weights attached to those groups and focus only on labor supply.

The imposition of minimum full-time hours requirements in order to qualify for earnings subsidies raises the same issue. Such a policy would increase work but would penalize part-time working mothers either in absolute or relative terms. In all the earnings subsidies scenarios we have depicted, the fact that work effort is increased by the policy is not sufficient to argue in their favor; one has to make a distributional argument as well. Generally this will mean making the argument that the positive work incentives outweigh their regressive character—they redistribute funds from the most disadvantaged to those who are better off, unlike the NIT.

## Conclusions

Where are we left with the NIT at the end of this exposition? The broadest vision portrayed by some early advocates—though not Robert Lampman—has fared very poorly indeed. Almost none of its proposed features have been adopted, many have been openly rejected, and often the trend has been in the opposite direction. Faring better is Lampman’s vision of the NIT, which allowed for categorical divisions, the assignment of different guarantees and taxes to different groups, and multiple programs. In addition, the one area in which policy developments have been most favorable to the NIT—the reduction of tax rates in the TANF program—is now understood to be a policy with ambiguous effects.

Despite this rather gloomy picture, it is clear that the early discussions of the NIT were the first time in modern U.S. conversations about welfare reform that monetary work incentives were proposed and taken seriously in a very public and highly visible way. The proposals and discussions of an NIT have greatly deepened our understanding of the incentive effects of alternative benefit formulas and welfare policies, and we now evaluate the work incentives of virtually all programs within the framework developed for the analysis of the NIT. If the prominence in welfare reform policy of monetary incentives today is a legacy of the early NIT advocates, that legacy is unquestionably immense, and its influence will surely continue into the future.

*I thank Robert Haveman and Glen Cain for their perceptive and helpful comments on the original draft. ■*

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<sup>1</sup>Lampman’s reminiscences about his work on the NIT, drawn from a University of Wisconsin–Madison oral history, appear in this *Focus*, pp. 4–5.

<sup>2</sup>M. Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962). The NIT had been briefly mentioned by George Stigler in 1946 ("The Economics of Minimum Wage Legislation," *American Economic Review* 36 [1946]: 358–65) and had been discussed in the 1940s and 1950s; see Christopher Green, *Negative Taxes and the Poverty Problem* (Washington: Brookings Institution, 1967). In the 1960s, James Tobin wrote important articles also; see "On the Economic Status of the Negro," *Daedalus* (Fall 1965): 878–95, and Tobin, J. Pechman, and P. Mieszkowski, "Is a Negative Income Tax Practical?" *Yale Law Journal* 77 (November 1967): 1–27. For references to other early NIT proposals, see Robert Haveman, *Poverty Policy and Poverty Research* (Madison: University of Wisconsin Press, 1987), Chapter 5.

<sup>3</sup>R. Lampman, "Approaches to the Reduction of Poverty." *American Economic Review* 55 (May 1965): 521–29.

<sup>4</sup>The poverty gap is the total amount of dollars that would be needed to bring the income of every poor family in the country up to the poverty line, thereby eliminating poverty.

<sup>5</sup>R. Lampman, *Expanding the American System of Transfers to Do More for the Poor*, U.S. Congress, Joint Economic Committee (Washington: Government Printing Office, 1968). This paper was published in almost identical form and under the same title in the *Wisconsin Law Review* 2 (1969): 541–49.

<sup>6</sup>See Michael C. Barth, George J. Carcagno, and John L. Palmer, *Toward an Effective Income Support System: Problems, Prospects, and Choices* (Madison: Institute for Research on Poverty, 1974), and Haveman, *Poverty Policy*.

<sup>7</sup>M. Boskin, "The Negative Income Tax and the Supply of Work Effort," *National Tax Journal* (December 1967): 353–67; C. Green, "Negative Taxes and Monetary Incentives to Work: The Static Theory," *Journal of Human Resources* 3 (Summer 1968): 280–88.

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<sup>9</sup>A Pareto-optimal outcome is one that cannot be improved upon without hurting at least one player. It is a measure of efficiency.

<sup>10</sup>J. Mirrlees, "An Exploration in the Theory of Optimum Income Taxation," *Review of Economic Studies* 38 (April 1971): 175–208.

<sup>11</sup>L. Gallagher, M. Gallagher, K. Perese, S. Schreiber, and K. Watson, "One Year after Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997," Urban Institute, Washington DC, 1998.

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<sup>14</sup>R. Moffitt, "Introduction," in *Means-Tested Transfer Programs in the United States*, ed. R. Moffitt (Chicago: University of Chicago Press, 2003).

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# Economic success among TANF participants: How we measure it matters

Maria Cancian and Daniel R. Meyer

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The precipitous decline in cash welfare caseloads since the late 1990s has heightened concern about the adequacy of alternative income sources for former recipients, who continue to experience high levels of poverty. In a project that constructed comparable estimates of economic well-being for welfare participants in New Jersey, Washington, and Wisconsin, for example, we found that, two years later, between half and three-quarters of the families had incomes below the poverty line. Fairly high levels of hardship have also been documented—around a quarter of families in various studies reported that they sometimes or often did not have enough food, or had housing problems (utility disconnection, eviction, or homelessness).<sup>1</sup> Moreover, families that no longer receive cash welfare may be receiving a variety of other benefits or services: food stamps, Medicaid, child care assistance, housing subsidies. These families may have left cash welfare, but they continue to rely on government aid.

Do these and other difficulties mean that welfare reform has not succeeded? There is little agreement. In the current debates over this issue, very different kinds of evidence are used. Some arguments emphasize caseloads, others poverty and employment, others material hardship. We know little about the extent to which the perception of success depends on the construct used, or the way it is measured, and the disagreements in themselves suggest that different measures may not capture the same thing.

Whether different measures of success can lead to consistent conclusions has important implications for the adequacy of particular data sources. No one body of information exists to answer all researchers' questions. Administrative data, for example, readily provide some indicators of success, such as the use of formal public benefits, but in general cannot speak to levels of hardship. Researchers have as a consequence drawn upon multiple sources: administrative data, survey data, and qualitative interviews. If different measures largely point to the same conclusions, policy analysts can more comfortably rely on the most readily available or easily measured indicators. If different measures suggest very dif-

ferent levels of success or identify some populations as more vulnerable than others, both academic researchers and policymakers need to explicitly consider the sensitivity of their conclusions to the measures they have chosen.

Research indeed offers some evidence that different measures may not be identical. For example, material hardship does not appear to be strongly correlated with poverty in the United States or in Europe.<sup>2</sup> The evidence is, however, somewhat contradictory. One study found that low-wage working mothers experienced higher levels of hardship than welfare recipients, but others have found that those who work more in fact have lower levels of hardship.<sup>3</sup>

## Three measures of success

Our goal in the research summarized here was to consider several measures of success and assess the extent to which they coincide or capture significant differences in outcomes. Our measures reflect three concepts of economic well-being: independence from government assistance, being out of poverty, and freedom from material hardship. We compare the levels of success that each definition measures and examine the extent to which success in one realm is associated with other forms of success. Are those who are above poverty also able to escape material hardship? Are they still dependent upon government assistance?

The women whose economic well-being we examine were early participants in Wisconsin Works (W-2), the state welfare program under Temporary Assistance for Needy Families (TANF), which took effect in September 1997. Although requiring high hours of work participation, counting all earned income in estimating benefits, and offering no adjustment for family size, W-2 paid fairly generous cash benefits (\$673 a month for the larger proportion of participants). The state also offered child care and health insurance subsidies to TANF participants and low-income working families more generally.

Our analysis uses a unique data set combining state administrative records of TANF benefits, food stamps, and other programs for low-income families with data for 1999 from the Survey of Wisconsin Works Families, a two-wave panel study of a random sample of mothers included in the administrative data. The sample includes women who participated in the W-2 program at any time

during the first 10 months of its operation—from September 1997 through early July 1998.<sup>4</sup>

### Measuring “independence”

We include this measure although we believe the term is problematic. Nearly all families with children receive some benefit, direct or indirect, from the government, and measures that consider only what is normally thought of as “welfare” implicitly stigmatize some forms of support.<sup>5</sup> Universal programs like public education, for example, are not generally considered indicators of “dependence.” Nor are those programs whose benefits are viewed as earned, such as social security or unemployment insurance. Nevertheless, the most common conception of “dependence” connects it to the use of any government benefit *available only to those with low incomes*. Under this conception, a family receiving benefits from programs such as TANF, the Food Stamp Program, Medicaid, Supplemental Security Income (SSI), housing assistance, the earned income tax credit (EITC), a child care subsidy, or free and reduced-cost school meals might in theory be considered “dependent.”

But there is an implicit hierarchy among programs that complicates the definition of dependence. People clearly view programs that provide cash supports with greater concern than programs that provide in-kind benefits—though food stamps, which are strictly speaking an in-kind benefit, have a more ambiguous position because they are considered “almost cash.” Some programs are available only to working people (the EITC or child care subsidies) and so may be seen as work supports. And if receipt of a cash benefit is contingent upon participating in an activity that the government seeks to promote, it may be more benignly regarded. So TANF benefits linked to work might not be considered an indication of dependence.

Complications do not end when we have defined the benefits that signify dependence. People may take a different view depending on whether benefits are tied to work activities or other requirements, the proportion of total income that they represent, or the length of time over which they are given. The federal government reflected these concerns when it proposed to define a family as dependent “if more than 50 percent of its total income in a one-year period comes from AFDC [TANF], Food Stamps, and/or SSI, and this welfare income is not associated with work activities.”<sup>6</sup>

We preferred a different definition in this research. We included all W-2 cash payments, SSI payments, and the cash value of food stamps in our base measure of dependence. We used the cash value of the benefits, in contrast to the federal definition that is based on a proportion of income. By so doing we excluded those with very low levels of welfare and other income, but did capture those who receive high levels of benefits, regardless of their income. Somewhat arbitrarily, we chose \$1,000 as our

baseline, because those with lower amounts most likely only briefly received welfare or were receiving small amounts of cash benefits along with other income.

The structure of the W-2 program, with its tiers of benefits depending upon the work participation required, offers an unusual opportunity to explore the implications for “success” of the new federal measure also. We compare the different measures in Table 1. By our base measure (item A), only about a quarter of TANF recipients are “independent”; as other income- and asset-tested program benefits are added, the proportion shrinks, until fewer than 2 percent could be considered independent under the most rigorous definition (less than \$1,000 in any income-tested program, item C). But the sensitivity of this measure to the definition is very clear. As expected, the measure is also sensitive to the cutoff point: when we raised our cutoff point to \$5,000, two-thirds of women were independent under our base measure.

Under a proportional measure reflecting the federal government’s 50 percent threshold, the percentage of families considered to be “independent” was higher even

**Table 1**  
**Measures of Independence among W-2 Participants**

Using a Cash Measure	
26%	A. < \$1,000 from W-2, food stamps, and SSI
<b>Counting more sources</b>	
7%	B. < \$1,000 in an income- and asset-tested program (W-2, food stamps, SSI, Medicaid)
2%	C. < \$1,000 in an income-tested program (W-2, food stamps, SSI, Medicaid, child care subsidy, EITC)
<b>Raising the cutoff point</b>	
66%	D. < \$5,000 from W-2, food stamps, and SSI
Using a Proportional Measure	
70%	E. < 50% personal income from W-2, food stamps, and SSI
13%	F. No income from W-2, food stamps, and SSI
87%	G. Any income in addition to W-2, food stamps, and SSI
<b>And excluding work-related cash benefits</b>	
81%	H. <50% personal income from W-2, food stamps, and SSI, excluding W-2 payments for a Community Service Job (CSJ).
88%	I. <50% personal income from W-2, food stamps, and SSI, excluding W-2 payments for a CSJ or W-2 Transitions participation.

**Source:** Survey of Wisconsin Works Families.

**Note:** The sample size varies because not everyone responded to all questions. The base sample = 2,242; the lowest response was 2,120 for E.

than under our \$5,000 cutoff. Very few mothers were completely independent, primarily because so many received food stamps. Equally, the vast majority of women had at least some income from an “independent” source (item G). Again, the result is very sensitive to the definition: the proportion defined as “dependent” fell to 12 from 19 percent when we excluded TANF cash benefits tied to worklike activities (Table 1, items H and I).<sup>7</sup>

### Measuring poverty

Many state TANF programs—including Wisconsin’s—do not have an explicit goal of bringing family income over the poverty line, but poverty status remains a key measure of success. Though often criticized, the official federal poverty threshold is a well-known measure and is central to the definitions of eligibility for many federal and state welfare programs. As with measures of independence, we find that poverty as a measure of success is highly sensitive to where we set the cutoff point and what we include in income (Table 2).

One measure we explored approximated the official poverty measure (item I). It included the income of husbands but excluded food stamps, Medicaid, the EITC, taxes, and the income of cohabitators; it also adjusted for family size. By this standard, only one-third of women in our sample succeeded in escaping poverty.

Given their growing importance in income support policy, our preference was for a baseline measure that included food stamps, the EITC, and taxes in family income. By this measure, just over half of families in the sample (56 percent) had incomes above the official poverty line, though even by this definition not 25 percent of families had incomes that reached 150 percent of the poverty line. Counting the income of cohabitators makes little difference to the poverty rates in this sample. There is substantial debate regarding the value of Medicaid benefits to participants. Nonetheless, we note that adding the cost of Medicaid to income moved more than 75 percent of the families out of poverty, by far the biggest rise produced by any income source.

### Measuring economic hardship

Measuring hardship is difficult; less is known about it than about poverty, and there is no official government measure. Researchers have typically inquired about food insecurity and hunger, about shelter hardships (homelessness, doubling up, utility cutoffs), and unmet medical needs.<sup>8</sup> Our base measure asked whether families reported either a food or a shelter hardship: that they “often” or “sometimes” did not have enough to eat in the previous year; that they had the gas or electricity disconnected, moved in with another family or into a shelter, or were homeless because they could not pay the rent. By these criteria, 59 percent of families had avoided food and shelter hardships. A fairly large proportion of these families had actually sought assistance, however. For ex-

**Table 2**  
**Measures of Avoiding Poverty**

56%	A. Family income > 100% poverty
23%	B. Family income > 150% poverty
7%	C. Family income > 200% poverty
<b>Counting different family members’ income</b>	
51%	D. Personal income > 100% poverty
51%	E. Family income (without cohabitators) > 100% poverty
<b>Counting different income sources</b>	
47%	F. Family income (without food stamps) > 100% poverty
76%	G. Family income (with cost of Medicaid) > 100% poverty
45%	H. Family income (without EITC or taxes) > 100% poverty
<b>Sources approximating the official poverty measure</b>	
33%	I. Family income (without EITC, taxes, food stamps, Medicaid, or cohabitators’ income) > 100% poverty

**Note:** Sample size for those with personal income = 2,120; for those with family income = 2,009.

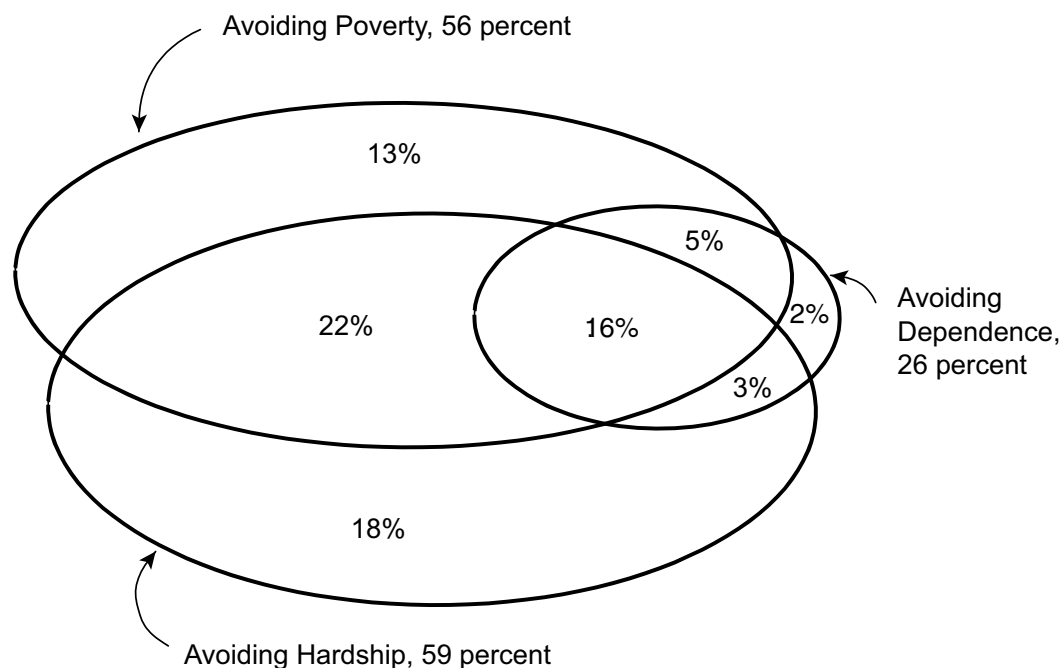
ample, 85 percent of families had avoided food hardships, but a third of those had needed help in doing so, perhaps by going to a food pantry.

Only about a third of families reached the most expansive measure of success; they reported no hardships, nor did they require assistance to avoid hardships.

### Are the measures of success interrelated?

Our three base measures suggest that families moving from welfare achieve different levels of success: over the period during which we tracked this W-2 sample, 26 percent were able to avoid “dependence,” 56 percent to achieve incomes above the poverty threshold, and 59 percent to avoid hardship. Figure 1 illustrates the interrelationship among these measures—their joint distribution. Although there is substantial overlap, the three measures appear to capture different aspects of success. Only 16 percent of women were successful by all three measures. Another 30 percent succeeded in two out of three; 33 percent succeeded in one measure or another; and 21 percent failed by all three.

Because long-term recipients of welfare were a primary target of the reform efforts, we examined separately the measures for women who had received welfare for more than 18 months in the two years before the transition to W-2. We found patterns of success and failure as complex as, and quite similar to, the patterns for the entire group of mothers. Only 11 percent of long-term recipients succeeded by all three measures, and 26 percent failed by all measures. Only 17 percent were able to avoid depen-



**Figure 1. Interrelationship among three measures of success for W-2 participants.**

**Note:** To simplify, we show only our three base measures: assistance (W-2, food stamps, and SSI) below \$1,000; total family income above poverty; and freedom from food and housing hardships. N = 1,924 women for whom we had complete information on all measures of success.

dence, but as with all mothers, around half were able to avoid poverty or hardship.

What accounts for families who are successful by one measure but not by others? Our analysis of the pathways to different levels and types of economic success is still under way, but it has produced some suggestive evidence. For example, only about half of families who avoided poverty but not dependence received cash assistance, but virtually all received food stamps, averaging over \$2,300 in value. The vast majority had earnings, averaging around \$11,000. About 20 percent had a spouse or partner with income, and this income was, on average, over \$14,000.

The vast majority of those who avoided dependence but not poverty were also working, but their earnings averaged around \$4,500. Again, about 20 percent had a spouse or partner with earnings, but these earnings were low, only about \$5,400. This group did not, by definition, receive substantial benefits; their dismal economic circumstances highlight the importance of understanding why some families do not receive the benefits for which they are apparently eligible.<sup>9</sup>

The measures of economic well-being that we examined did not allow us to evaluate the effects of TANF, but they did provide some indicators of the reasons that some TANF participants succeeded in moving toward economic self-sufficiency. About a year after welfare reform,

more than half of the women in our sample were able to avoid poverty, and a similar percentage avoided hardship. But only about a quarter achieved “independence,” and fewer than one family in ten received no benefits at all. The substantial differences between the rates of independence and our other measures of success suggest that very few former recipients have been able to achieve economic success, even at the modest level defined by the poverty threshold, without some governmental assistance.

These results also clarify the importance of moving beyond simple measures of welfare caseload and ending the dichotomy of poor families into “welfare recipients” and the “working poor.” Many TANF programs included work activities designed to minimize the distinction between welfare participation and employment, a policy change reflected in the new federal measure of welfare dependence. Notably, the proportion of families classified as “dependent” in our sample fell from 30 to 12 percent when we excluded all cash benefit payments associated with a work activity. These distinctions have considerable policy interest as time limits associated with TANF benefits loom over larger numbers of participants. States, indeed, have begun redefining programs to allow work supports to be funded by TANF but not to count against time limits.<sup>10</sup>

The implementation of TANF has coincided with a decline in the receipt of cash assistance and, in many states, an increase in earnings, yet incomes for most families

remain very low. Although caseload declines have been a central part of the political and scholarly discussion, other measures suggest much lower and also inconsistent outcomes. Our analysis demonstrates that how observers evaluate the success of the reforms may be strongly influenced by the measures they choose. It also highlights the need for policies that provide a variety of supports for those struggling to enter and stay in the labor market.

*The research summarized here is discussed in detail in M. Cancian and D. Meyer, "Alternative Measures of Economic Success among TANF Participants: Avoiding Poverty, Hardship, and Dependence on Public Assistance," Journal of Policy Analysis and Management 23, no. 3 (Summer 2004): 531–48. It is used by permission of the journal. ■*

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<sup>1</sup>See, for example, G. Acs and P. Loprest, with T. Roberts, *Final Synthesis Report of the Findings from ASPE's "Leavers" Grants*, Report to the U.S. Department of Health and Human Services, Urban Institute, Washington, DC, 2001; M. Cancian, M. Klawitter, D. Meyer, A. Rangarajan, G. Wallace, and R. Wood, "Income and Program Participation among Early TANF Recipients: The Evidence from New Jersey, Washington, and Wisconsin," *Focus* 22, no. 3 (2003): 2–10.

<sup>2</sup>S. Mayer and C. Jencks, "Poverty and the Distribution of Material Hardship," *Journal of Human Resources* 24 (1989): 88–114; R. Layte, B. Maitre, B. Nolan, and C. Whelan, "Persistent and Consistent Poverty in the 1994 and 1995 Waves of the European Community Household Panel Survey," *Review of Income and Wealth* 47 (2001): 427–49.

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<sup>4</sup>The data were collected as part of the Child Support Demonstration Evaluation (CSDE). For a summary of the Survey, see D. Meyer and M. Cancian, eds., *Child Support Demonstration Evaluation Phase 1: Final Report*, Volume III, *Technical Reports*, Institute for Research on Poverty, 2001. The main CSDE report is D. Meyer and M. Cancian (with additional authors), *W-2 Child Support Demonstration Evaluation, Phase 2: Final Report*, Institute for Research on Poverty, University of Wisconsin–Madison, 2003.

<sup>5</sup>On the issue of tax advantages and other benefits for children, see D. Meyer, "Income Support for Children in the United States," *Focus* 21, no. 3 (2001): 38–41.

<sup>6</sup>U.S. Department of Health and Human Services, *Indicators of Welfare Dependence: Annual Report to Congress, 2002*. Available on the Department's Web site, <http://aspe.hhs.gov/hsp/indicators02/index.htm>.

<sup>7</sup>M. Cancian and D. Meyer, "Alternative Measures of Economic Success among TANF Participants: Avoiding Poverty, Hardship, and Dependence on Public Assistance," *Journal of Policy Analysis and Management* 23, no. 3 (Summer 2004): 531–48.

<sup>8</sup>For explorations of these issues, see, e.g., S. Beverly, "Using Measures of Material Hardship to Assess Well-Being," *Focus* 21, no. 2 (2000): 65–69; K. Bauman, *Extended Measures of Well-Being: Meeting Basic Needs*, Current Population Reports P70-67, U.S. Bureau of the Census, Washington, DC, 1999.

<sup>9</sup>On this issue, see R. Haveman, T. Kaplan, and B. Wolfe, with S. Barone, *Patterns of Long-Term Utilization of Medicaid and Food Stamps by Wisconsin Welfare Leavers*, Special Report 82, Institute for Research on Poverty, University of Wisconsin–Madison, 2002.

<sup>10</sup>S. Fremstad and Z. Neuberger, "TANF's 'Uncounted' Cases: More than One Million Working Families Receiving TANF-Funded Services Not Counted in TANF Caseload," Center on Budget and Policy Priorities, Washington, DC, 2002 <<http://www.cbpp.org/4-24-02tanf.htm>>.

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# Has welfare reform affected children's living arrangements?

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Stable and secure living arrangements for children were a primary objective of the welfare reforms of the 1990s. This was made explicit in the four main goals of the legislation that, in 1996, established Temporary Assistance for Needy Families (TANF). These were:

- (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies . . .; and (4) encourage the formation and maintenance of two-parent families.<sup>1</sup>

Given this emphasis on increasing the proportion of children living in two-parent, married families rather than with a single parent or a foster parent, it is somewhat surprising that welfare-reform-induced changes in children's living arrangements, broadly considered, have received relatively little attention. Studies of women's living arrangements and welfare reform do provide some information about children's circumstances. However, these studies cannot capture information about many areas of children's lives that might be directly relevant to welfare reform. For example, are children now more likely to live with married parents? Are they more likely to live with neither parent? To live with both a parent and a grandparent?

The studies of children's living arrangements that do exist are somewhat narrow in focus. Some have made use of data from random-assignment welfare experiments, which can only inform researchers about the effects of one state's programs and also tend not to track living arrangements or family size very closely. Others have relied mostly upon time-series data without incorporating the substantial variation in the timing and incidence of state reforms. But it is difficult to know how much of the trends in living arrange-

ments can be attributed to the reforms until we have accounted for other possible influences.<sup>2</sup>

In the research reported here, we examined the effects of the federal legislation and of state initiatives that preceded it on children's living circumstances.<sup>3</sup> In particular, we examined the effects of reforms on whether the child lives with a parent, and if so, whether the parent is married. We also asked whether children are now more likely to live in a three-generation household. To understand how the new structure of welfare may have affected trends in these living arrangements, we took into account a number of other potentially important factors, including state economic conditions and changes in other policies (like Medicaid).

Much research into welfare reform's effects has focused on state welfare caseloads and on employment, earnings, and income. The decline in welfare caseloads is clear (though the importance of reform *per se*, as distinct from the economic expansion of the 1990s, is not), but it has proved difficult to reach firm conclusions about the consequences for earnings and income, leading to considerable controversy over the effects of the reforms on family well-being.<sup>4</sup>

Conclusions drawn from earlier studies have mostly pooled women of all races and ethnicities, despite the large prereform differences in the rate of nonmarital births and female-headed households, as well as welfare use. Such baseline differences suggest that responses to welfare reform may also differ by race and ethnicity. To address this issue, we conduct our analysis separately by race and ethnicity, so that we estimate distinct impacts for non-Hispanic black women and Hispanic women (both relatively heavy welfare users before welfare reform), as well as for non-Hispanic whites (a low-welfare-use group). Another contribution of our work is to focus on the living arrangements of children (rather than mothers) and to examine outcomes that have not previously been explored, such as living with neither parent or in a three-generation household.

## How might the welfare reforms affect living arrangements?

The PRWORA legislation that created TANF represented less a new beginning than the culmination of a process that began (essentially in the early 1990s) with a flurry of state waiver programs. By 1996, about half the states had implemented some sort of waiver (see Figure 1). On the heels of the state experiments came TANF, with its work requirements, time limits, and restrictions on categorical

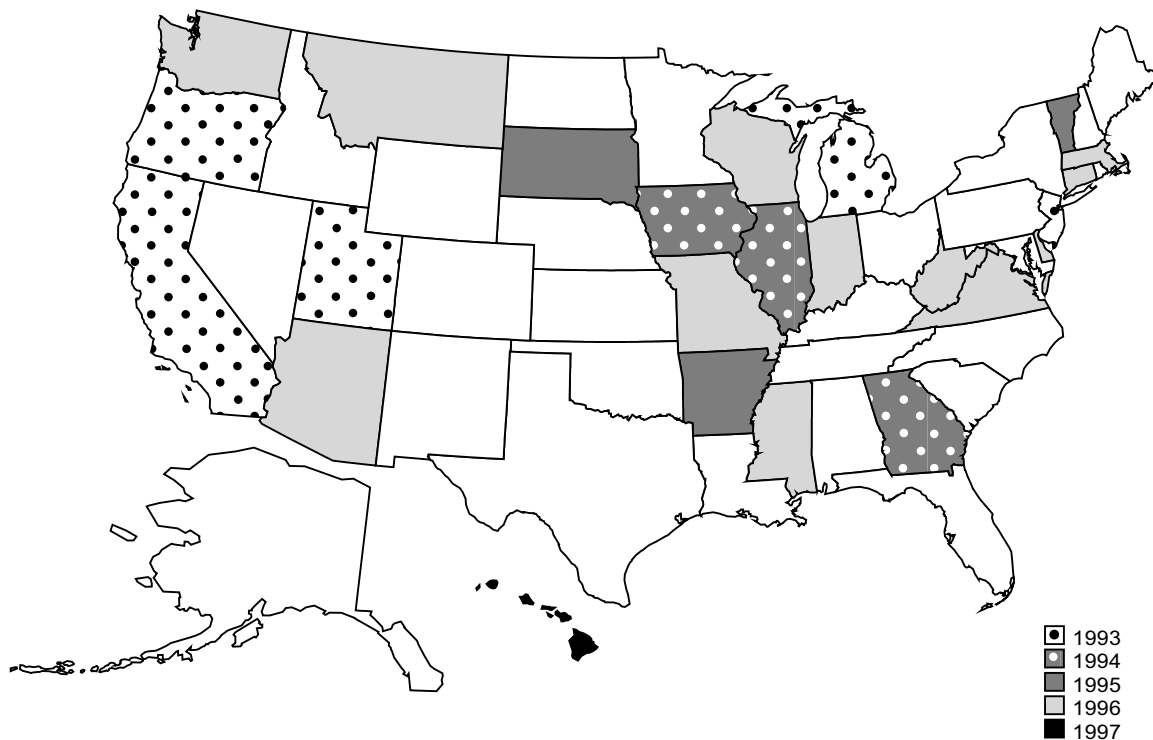


Figure 1. Major state welfare waivers adopted by March of calendar years 1989–2000. States without patterns had no waivers.

eligibility for some groups. These requirements aside, the law gave states substantial latitude to design and implement their TANF programs, although in so doing they drew from a relatively limited menu of program elements that were also present to varying degrees in state waiver reforms (see Table 1). These reforms can be classified along two dimensions: (1) whether a policy represented a “tightening” or a “loosening” of the welfare program, that is, whether it made a provision less or more generous; and (2) whether a policy affected the financial incentives associated with living arrangements directly or indirectly.

“Tightening” reforms reduce access to welfare, and so should reduce the relative desirability of remaining unmarried. Thus they may increase the probability that children live in married-couple households. But because they create financial stress in households that have been heavily welfare-dependent, they may lead to a wide variety of changes in living arrangements—families doubling up, or children being sent to relatives or taken into foster care. They may thus lower the probability that children will live in single-parent households by increasing the probability that they will live with neither parent. General “loosening” reforms lead to the opposite predictions: decreases in marriage, increases in nonmarital births, and decreases in financial stress. In addition, reforms are expected to increase women’s employment, which may increase or decrease marriage.

Specific reforms that directly change incentives for particular living situations should lead to clear and simple

projections: all else equal, requirements that teen parents live with their own parents should lead to more three-generation households. But evaluating whether the observed effects of reform are good or bad is not necessarily a simple task. For example, whether moving to a three-generation household is a good outcome depends on many other factors such as the grandparents’ economic circumstances, or whether there is a history of abuse in a two-parent household. In other words, there may be good reasons for a mother to move out of her partner’s household in the first place.

General reforms have more indirect effects on living arrangements. For example, time limits or work sanctions that make parents ineligible for cash assistance may increase the proportion of children living with someone other than a parent by increasing the likelihood that the parent moves out when sanctioned.

There is, in sum, no single, straightforward prediction of the effects of welfare reform on children’s living arrangements. Indeed, different aspects of reform lead to opposing predictions. Moreover, groups receiving welfare will not necessarily respond in the same fashion to incentives in the program. For example, the 1996 legislation restricted the use of federal funds for legal immigrants, though some states chose to continue assistance to particular groups. Subgroups with a large share of recent immigrants or noncitizens might, therefore, face quite different incentives to marry, divorce, or alter living arrangements than do subgroups composed primarily of the

Table 1 Welfare Reforms and Family Structure: Some Possible Effects			
“Welfare Tightening” Reforms		“Welfare Loosening” Reforms	
Policy Changes	Expected Effects	Policy Changes	Expected Effects
GENERAL REFORMS			
Work requirements Financial sanctions Time limits	↓ in financial incentives of welfare: ↑ in marriage ↓ in nonmarital births  ↑ in fiscal stress: ↑ doubling up (larger households) ↑ in children living apart from parents	Liberalized earnings disregards Liberalized asset tests	↑ in financial incentives of welfare: ↓ marriage ↑ nonmarital births  Less fiscal stress: ↓ doubling up (smaller households) ↓ in children living apart from parents
FAMILY-STRUCTURE-SPECIFIC REFORMS			
Family caps Unmarried teen parents required to reside with own parents	↓ welfare fertility ↑ in three-generation households	Expanded eligibility for two-parent families	↑ marriage ↓ divorce ↑ no. of men in household

native-born. And some of the states with very large welfare populations have quite large immigrant populations (California and New York, for example).

### Characteristics of the study sample

Our sample consists of over 200,000 children (aged younger than 16) who appeared in the March Current Population Survey (CPS) from 1989 to 2000.<sup>5</sup> Were we to examine only children living in households that currently receive welfare income, we would be unable to measure effects of reform on children whose families have left (or been removed from) welfare. This is an important issue, because most evidence suggests that welfare reform has been associated with decreased welfare use in at least some cases (and in some places, caseload effects may be relatively large). For this reason, we included in our sample both children who were living in households currently receiving welfare and those who were not. This approach allowed us to avoid missing the effects of reform on children who were not receiving TANF but who would have gotten AFDC in the absence of reform. It is important to recognize that our estimates thus represent *average* effects: for some people the effects of reform will be positive or negative, whereas for others—those who are truly unaffected by reform—the effects will be zero. Thus for people who are indeed affected by reform, the effects will tend to be larger than the average effects that we estimated.<sup>6</sup>

We augmented CPS welfare and demographic data with information about the presence and timing of state welfare waivers, the timing of the state’s implementation of TANF, and other state-level information such as Medicaid generosity and labor market conditions. We estimated

the average effects of each of three different kinds of reform: (1) major state-wide waivers, (2) TANF implementation in states that had earlier had a waiver, and (3) TANF implementation in states with no previous waivers.

The appropriate measurement of “living arrangements” is a complex issue, but CPS data allow us identify whether the child lives with neither parent, lives with a parent who is currently unmarried, lives with a parent who is currently married, or lives with both a parent and a grandparent.<sup>7</sup> Our analysis is for a period covering both the entire cycle of welfare waivers and federal reforms (roughly between 1992 and 1998) and a complete business cycle, from the peak in the late 1980s, through the early 1990s recession, and then the long expansion that followed.

Table 2 gives basic demographic information about our sample. The primary division is racial or ethnic, for several reasons. First are the well-known differences in households’ welfare participation rates across race and ethnicity. More than a quarter of black children in the sample lived in households that had some welfare income in the previous year, compared to only 17 percent of Hispanics and 6 percent of whites.<sup>8</sup> Other things equal, we thus expected larger impacts of reform for black and Hispanic children relative to impacts for whites.

A second reason to stratify the sample by race and ethnicity rests in the very different living arrangements of blacks, Hispanics, and whites before reform. Overall, more than two-thirds of the children lived with a married parent. But whereas only 19 percent of white children lived with an unmarried parent, 57 percent of black children did. Such differences suggest the possibility of different cultural norms and perhaps different responses to economic circumstances. It thus seems more reasonable



**Table 2**  
**The Circumstances of Children and Households in the Study**

	Entire Sample	Blacks	Hispanics	Whites
Child lives with				
Neither parent (%)	3	8	4	2
Unmarried parent (%)	27	57	32	19
Married parent (%)	70	35	65	79
Parent and grandparent (%)	6	10	8	4
Child's age (yrs)	7.4	7.4	7.0	7.5
Household had welfare income in previous year (%)	11	27	17	6
State welfare waiver implemented (%)	13	11	19	12
TANF implemented, state had waiver (%)	22	21	26	21
TANF implemented, state never had waiver (%)	9	10	7	9
Maximum benefit for family of 3 (\$)	517	445	571	516
Unemployment rate (%)	5.6	5.6	6.1	5.5
N	209,382	26,549	33,442	139,000

**Source:** March CPS data, 1989–2000.

to assume that treatment effects among racial and ethnic groups will differ than to assume that they will be the same.

### Before and after reform

A first, descriptive look at possible effects of the reforms compared the living arrangements of different groups of children in our sample, before and after the reforms. In about half the states, the reform in question was the implementation of TANF. In states that ever had waivers, we compared living arrangements before any waiver came into effect with living arrangements during years after TANF was implemented. Figure 2 gives some examples, showing the effects for black and white children in states where waivers were in effect before TANF.

These simple mean effects suggest very large changes in living arrangements for some children. In states with waivers, the fraction of black children living with neither parent rose by about 3 percentage points after the reforms came into effect, from 6.6 to 9.5 percent. About two-thirds of this net change resulted from a reduction in the percentage of children living with an unmarried parent; the remaining one-third was due to reduced proportions living with married parents. In states without waivers (not shown in Figure 2), the increase in black children living with neither parent was smaller, about 1 percentage point after TANF was implemented; this increase is entirely accounted for by the reduced proportion living with an unmarried parent.

Among Hispanic children (not shown in Figure 2), the fraction living with neither parent after the reforms rose by about 1.3 percentage points, whether or not waivers

were in effect in the state. A history of state waivers is, however, correlated with other changes. In states with waivers, the fraction of Hispanic children living with a married parent fell by more than 3 percentage points; in states that did not have waivers, that fraction rose. It is worth noting that in states without waivers, the percentage of unmarried Hispanic parents before reform was much larger—40 percent, versus 28 percent in waiver states. This could be the result of differences between states that imposed waivers and those that did not.

State waivers appear unrelated to any changes in white children's living arrangements. In both waiver and non-waiver states, there was a small increase of about half a percentage point in the fraction of children living with neither parent. An increase of nearly 2 percentage points in the fraction living with an unmarried parent balanced a similar decrease in the fraction living with a married parent.

These simple before-and-after comparisons show effects varying by race and ethnicity, and by the state's experience with welfare waivers before the national reforms of 1996 were implemented. But at roughly this same time, economic conditions improved greatly, and other social trends, more difficult to measure, may have been operating concurrently. To separate out the relative importance of these different sets of circumstances, we used standard (probit) regression methods, using pooled cross-sectional data from the sample and incorporating demographic covariates, state-level controls, policy variables, and state and year fixed effects. Our approach differs from others in the literature in that we included prereform data, as well as data from states with and without waivers; we also stratified by race and ethnicity, as well as education, rather than by education alone.

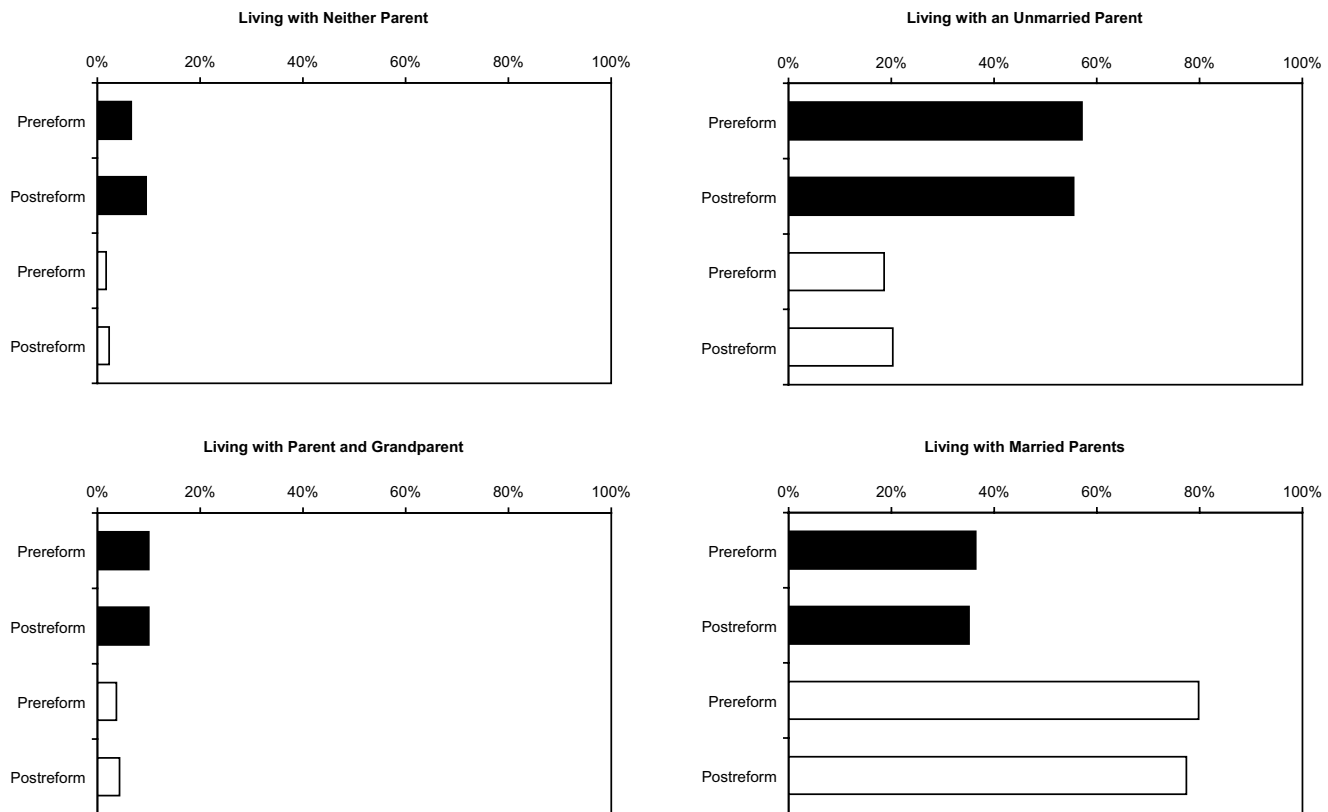


Figure 2. Living arrangements for children in states with waivers. Source: March CPS data, 1989–2000.

Note: Black bars represent African American non-Hispanic children; white bars represent white non-Hispanic children.

Accounting for the various important differences in state economies and policies did not essentially change the effects foreshadowed in the simple means already reported. Once again, welfare reforms had consistent and substantive effects on black children’s living arrangements. Some of these effects were congruent with the stated aims of reform, some were not. All three of our measures of reform were associated with statistically significant and large increases in the probability that black children would live with neither parent; for waivers, there was an increase of 3.4 percentage points, for TANF in states that previously had a waiver, an increase of 7.3 percentage points. These are very large net effects on behavior. But the total number of children affected is comparatively small: black children represent fewer than 16 percent of all children, so that even an increase of 7 percentage points in the numbers of black children living with neither parent would affect fewer than 1.2 percent of all children in the nation.<sup>9</sup>

Drawing conclusions about whether these changes in living arrangements made children better off is difficult. For example, a child might be living without either parent because she was sent to live with a grandparent or other relative, or because the mother moved out of a household in which she had been living with the child and other relatives or friends. A child who was no longer living with a parent might have left a very low income, welfare-

dependent household for a more financially stable household, and in that sense at least be better off.

To examine this possibility, we compared the previous year’s incomes of the households in which children lived with the federal poverty level for families of the appropriate size. We found little support for the view that reform was causing children to both live in better-off households and live with neither parent. But we did find evidence for a net reduction, of around 4 percentage points, in the proportion of black children living in three-generation households; this reduction was primarily among relatively better-off black children.

For Hispanic children, our regressions showed no increase in the likelihood that children would be living apart from both parents. Welfare waivers were associated with substantial reductions (6 to 10 percent) in the proportion living with an unmarried parent, and a roughly equivalent rise in the propensity to live with a married parent. By contrast, TANF’s effects were statistically insignificant. Nor did there appear to be any association between welfare reform and the propensity to live in a three-generation household.

Estimates for white children, who are by far the largest group of children in the U.S. population, were both small

in magnitude and generally not statistically significant. This is encouraging, since white children had very low welfare participation rates before reform. Had we found large impacts of reform in a group of which only 6 percent were on the program before reform, it would suggest we were instead picking up something other than reform.

## The effects of particular policies

Other researchers have made substantial efforts to determine whether particular elements of welfare policies—for example, time limits, sanctions, or family caps—have had specific and significant effects. Rather surprisingly, given that many analysts have strong beliefs concerning the likely effects of program elements (for example, one would expect a strong and negative link between time limits and long-run caseloads), no clear pattern of statistically significant results has developed. And as we noted earlier, effects on living arrangements are more likely to be ambiguous or multidirectional than are effects on, say, work effort.

Nevertheless, we attempted to examine the effects of particular reforms. We incorporated time limits, sanction severity, family caps, and rules governing the residence of minor parents, among others, into our regressions. In general, we found no shortage of statistically significant estimates. Some of these results were internally consistent and informative: time limits implemented through waivers were associated with an increased probability that black children would live with neither parent. Others were merely puzzling: time limits under TANF in former waiver states were negatively and significantly associated with the probability that Hispanic children would live with neither parent, a finding we would not expect.

These types of findings suggest that it is not possible to characterize the effects of particular policies on living arrangements with the precision that policy analysts and politicians would like. First, states have implemented many other welfare policies besides those most prominently mentioned. Second, and more important, we have no way of measuring how strictly or uniformly states enforce the various rules, and how they administer the exemptions permitted under the federal law. With the many dimensions along which states have changed their welfare policies, and only 50 states in our “laboratory,” we may never be able fully to understand which specific reform policies have led to observed differences. As noted above, however, we were still able to estimate the average effects of all the policies combined; these estimates—discussed above—are the ones in which we place the most confidence.

In conclusion, we have found large effects on some important measures of living arrangements for some groups in which welfare use is high, and small or no effects in other cases (where welfare use is either high or low).

These effects are neither entirely aligned with the stated goals of the reforms, nor entirely opposed to them. And whether the reforms can be considered “successful” may depend on the value that observers place on particular consequences. Finally, we note that our results illustrate the importance of looking separately at different racial and ethnic groups when estimating the effects of welfare reforms on living arrangements. ■

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<sup>1</sup>TANF was established under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), Public Law 104-193 (1996).

<sup>2</sup>Examples of research directed to living arrangements are C. Paxson and J. Waldfogel, “Welfare Reforms, Family Resources, and Child Maltreatment,” *Journal of Policy Analysis and Management* 22, no. 1 (2003): 85–113; A. Dupree and W. Primus, “Declining Share of Children Lived with Single Mothers in the Late 1990s,” Working Paper 01-117, Center on Budget and Policy Priorities, Washington, DC.

<sup>3</sup>Our research on the subject of welfare reform and living arrangements is discussed in several papers, most particularly in M. Bitler, J. Gelbach, H. Hoynes, “Welfare Reform and Children’s Living Arrangements,” October 2003, but also including M. Bitler, J. Gelbach, H. Hoynes, and M. Zavodny, “The Impact of Welfare Reform on Marriage and Divorce,” *Demography* 41, no. 2 (2004): 213–36. Note that we are revising the October 2003 working paper as part of the journal submission process; results in any published version may change.

<sup>4</sup>For reviews in these areas, see S. Bell, “Why Are Welfare Caseloads Falling?” Working Paper DP 01-02, Urban Institute, Washington, DC, 2001; R. Schoeni and R. Blank, “What Has Welfare Reform Accomplished? Impacts of Welfare Participation, Employment, Income, Poverty, and Family Structure,” Working Paper 7627, National Bureau of Economic Research, Cambridge, MA, 2000.

<sup>5</sup>We used the age 16 cutoff so as not to include large numbers of possible teen parents among the children, since teen parenthood is potentially endogenous to welfare reform.

<sup>6</sup>We have also estimated models using the subsample of children living in families where the head has 12 years of education or less.

<sup>7</sup>CPS defines a *household* as a group of people, related or not, who together occupy a housing unit. If two or more persons living together are related by birth, marriage, or adoption, they constitute a *family*. The household head is the person whose name is on the mortgage or the lease—the rent-payer—and his family is the “primary family.” This is not a trivial issue in discussing living arrangements. Consider, for example, a woman and her child living with a male partner who is neither married to the woman nor the biological father of the child. If he pays the rent (he is the head), the mother and child are considered an “unrelated subfamily.” If she pays the rent (she is the head), then the mother-child pair is the primary family, and he is a secondary or unrelated individual. This suggests that in otherwise static living situations (the same man, woman, and child), changes in who pays the rent will appear in CPS data as a “change” in family status, although most researchers would not consider it so.

<sup>8</sup>After generating the results discussed here, we learned that the March CPS includes an oversample of Hispanic households, and that those included in the oversample are selected in a way that makes them particularly likely to be stable households. Later versions of our work discuss and account for this oversample.

<sup>9</sup>This figure of black children representing 16 percent of all children is population-weighted and therefore is not the same as the percentage of observations in our sample that correspond to black children.

# Performance management in federal employment and training programs

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If there is a single theme that characterizes the public sector in the 1990s, it is the demand for performance. A mantra has emerged . . . at all levels of government, that calls for documentation of performance and explicit outcomes of government action.

— Beryl Radin, *Beyond Machiavelli*<sup>1</sup>

Performance measurement as a tool of public management has a long history. Its primary goal has always been accountability—to legislative bodies, taxpayers, and program stakeholders. But the direction and purpose of performance measurement have been changing. Formerly, it was most intensely focused on financial performance or efficiency. The initiatives encapsulated in “planning, programming, and budgeting,” “management by objectives,” “zero-based budgeting,” and other popular buzzwords of the 1960s and 1970s were concerned primarily with the relationship of inputs to costs and the value of cost-reduction activities. In the last two decades, performance measurement has entered a much wider arena. It has come to be seen as an important tool for improving the quality of an agency’s services and the consequences for those served.

One reason for the shift was increasing dissatisfaction with systems that required managers to narrowly define and measure progress toward financial, technical, and strategic performance goals. Management theorists such as W. Edwards Deming challenged the “narrow, simple-minded” focus of management by the numbers and urged managers instead to strive for and measure quality.<sup>2</sup> Organization and management theories were evolving toward more open, adaptive models that took into account the agency’s environment, including the informal norms, social contexts, and communication and status issues that influence staff performance. In addition, the expansion of block grant programs from the late 1970s on shifted considerable responsibility and discretion to state and local governments. As the distance between the individuals who received services and the officials at the highest funding level increased, so too did anxiety about how local officials were exercising discretion in distributing federal monies. One consequence was the development of new mechanisms for accountability.

In the United States, a central piece of legislation in this changing perspective was the Government Performance and Results Act (GPRA) of 1993, which requires federal agencies to set goals and objectives, measure performance, and report their accomplishments as part of movement toward a performance-based environment. These requirements were intended to provide political accountability for results and give agencies the opportunity to increase their responsiveness to program stakeholders and constituencies.

Even this partial shift in emphasis from “government that costs less” to “government that does a better job” raises a whole host of issues. One challenge to an agency that tries to move beyond purely financial, efficiency-driven targets is reaching consensus on clearly defined and verifiable public objectives. Fragmented programs, multiple goals, and the deficiencies and inconsistencies of authorizing legislation can make it very difficult for staff and stakeholders to think about how their diverse activities are related to a common outcome. Some agencies, as a result, may opt for goals that are vague, uncontroversial, inconsequential, or easily attainable.<sup>3</sup> Some prescribed program goals may be mutually inconsistent. The U.S. Job Training Partnership Act (JTPA) of 1982, for example, stated that programs should serve “those who can benefit from and are most in need of” employment and training services. Research suggests that efforts to reach those most in need (effectively, the bottom 20 percent of the skill distribution) may lead to modest inefficiencies in the allocation of program resources.<sup>4</sup>

Still unanswered is whether performance management systems that hold agencies accountable for the outcomes of their activities are more effective than traditional bureaucratic controls that hold agencies responsible for inputs and processes. Some analysts believe not, and they have been harshly critical of the kind of outcomes-based public management codified in the GPRA. They argue that its requirements for specific performance goals, plans, and results have increased administrative constraints, elevated conflict within and among agencies, ignored political complexities, and bred a sense of cynicism and an attitude of formal compliance within the federal government. These failings are compounded, they note, when strong leadership or effective management are absent within the agency.<sup>5</sup> Further, the reporting requirements promote emphasis on short-term goals that may be perversely related to longer-term outcomes, encouraging employees to “game the system” and “cream-skim” applicants. Caseworkers, for example, may seek to improve a

job-training program's short-term results by selecting as participants those who would have done well without the program.<sup>6</sup> Likewise, performance requirements based on students' annual test scores may lead some teachers to "teach to the test," at the expense of students' longer-term educational success.

The objectives that an agency chooses have implications for the quantitative measures of performance that it must develop. Vague or conflicting goals make the task very much harder. All agencies process vast amounts of paperwork (and, increasingly, amass electronic files), and most issue annual program reports that compare the agency's performance with a set of predetermined targets. But many of these targets are concerned with processes—how many people came through the agency doors, how many checks were issued, or contracts let. Others reflect an emphasis on financial efficiency that is in some tension with the goals of social service agencies. The Health Administration of the U.S. Department of Veterans Affairs, for instance, defined its goal as improving the health status of veterans, but then, in glaring disparity with this aim, identified cost reductions per patient and number of patients served as measures of progress.<sup>7</sup>

The kind of information needed to help managers understand why performance is at the level it is or how they can effect change is much more complex than the information needed to monitor where the money goes. It encompasses resources and staff, workload and job complexity, outputs and outcomes in relation to intermediate and long-range goals, and effects (impacts) on service users. Ideally, the full range of this information would be used by public managers in a logical flow that moved from monitoring the agency's performance (its processes and their efficiency), to evaluating the program's outputs or effects, and then to management—the use of information on past performance to guide program planning and improve future performance.

Acquiring such information was never going to be simple or cheap, but it has been made easier by advances in statistical techniques for measuring performance. The last three decades have also seen the development of large and varied bodies of experimental and administrative data, as state welfare programs underwent mandatory evaluation, national programs such as the JTPA were documented and closely studied, and federal and state data requirements multiplied.

The U.S. Government Accountability Office (GAO), investigating performance management in public agencies, has suggested that we might gain a more precise understanding of causal links, program effects, and the relationship between short- and long-term goals by supplementing performance data with impact evaluation studies.<sup>8</sup> But such experimental evaluations are likely to be infrequent. They are usually expensive, may disrupt an agency's operations, and probably cannot generate the

timely, regular feedback that program managers need to make adjustments in their budget allocations and practices. If experimental evaluations are likely to be rare, for reasons both practical and political, then the most readily available information comes from the administrative and performance data that government agencies at all levels now acquire and report. But can these data meet the expectations that the federal government codified in the GPRA, and provide reliable information for improving agency performance?

In the research summarized in the remainder of this article I explore issues of public agency performance management in the context of federal job-training programs for low-income and unskilled workers. What made this research possible is the existence of a large body of comparable experimental and program data for job-training programs that has been gathered under the JTPA and its successor, the Workforce Investment Act (WIA) of 1998.<sup>9</sup> Here I consider two questions in particular: whether the measures that were established for the JTPA produced reliable and useful information for program managers, and whether the changes introduced under WIA constitute an improvement in the measurement of performance in public agencies.

## **Performance management in federal job-training programs**

In an era of decentralization, the performance standards system established under the JTPA was a pioneer. It centered measures on program outcomes (the number of trainees placed in jobs, and how much they earned, for example) rather than inputs or outputs (the number of persons trained); it linked measures of program performance across multiple levels of government; and it included financial (budgetary) incentives for program managers based on the evaluation of organizational outcomes. In general, the system was designed to focus the attention of management at all levels on the central objectives of the program and lessen the government's need to monitor an agency's processes and compliance with federal regulations.

JTPA agencies were also the subject of an experimental evaluation, the National JTPA Study. Using the data from this study, we can compare the reliability of the performance measures against outcomes measured in a random-assignment experiment. The three-year experiment, commissioned in 1986 by the Employment and Training Administration of the U.S. Department of Labor (DOL), was conducted by MDRC, Abt Associates, and their subcontractors. It involved about 20,000 individuals, randomly selected into treatment and control groups, in 16 JTPA programs. It has been described as the largest and most rigorous evaluation ever conducted of programs designed to increase the employment and earnings of disadvantaged adults and youth.<sup>10</sup>

Responsibility for programs under the JTPA and WIA is shared among multiple levels of government. Funding and broad oversight are an obligation of the DOL, in part through the establishment of performance standards. Job search and placement assistance, job-readiness activities, case management and supportive services, and other more intensive education and training are regulated and monitored by state governments and administered by local government agencies or private industry councils and boards. Local program managers maintain records based on the established performance standards and report data to the state agencies, which are responsible for determining performance bonuses or sanctions for the local agencies but also transmit the data to the DOL.

Over nearly two decades of operating in a highly decentralized environment, the local and state agencies administering federal jobs programs have evolved quite different governance and management systems. This variability is not random. In work with Laurence Lynn, Jr., I found strong associations between the administrative structures chosen in different service-delivery areas and the types of policies and incentives adopted by states and local agencies to motivate performance. For example, when the local administrative agency was a private-sector body, it tended to emphasize measured performance and to adopt administrative practices such as performance-based contracting. In those areas where local public officials played a larger role than the private sector, performance-based contracts were less likely and there were more explicit incentives to focus on “hard-to-serve” groups.<sup>11</sup>

State administrative policies, the size and the population characteristics of the local service-delivery area, and the wide discretion afforded local units have also fostered some local variation in the performance measures themselves (see Table 1). Research does suggest that the basic performance *standards* in JTPA programs have been fairly consistent across government levels. But divergences appear when administrators begin to make decisions about how to use the performance information in managing programs—in directing, rewarding, or sanctioning agencies and providers.<sup>12</sup> Disentangling the effects of different measures or actions is likely to be very challenging, because administrative decisions and management actions at different organizational levels may influence not only how well participants do but also the types of performance management policies that are adopted. Program managers aiming to maximize their agency’s measured performance may, without intending to, damage the long-run earnings prospects of participants by too close a focus on short-term gains.

### **The usefulness of JTPA administrative data for performance management**

In circumstances as complex as those I described, can assessments based on limited administrative data provide

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**Table 1**  
**Administrative Discretion in the JTPA**  
**Performance Standards System**

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**Minimum performance bonus and performance bonus award schemes.** The stringency of state requirements differed in a number of ways, such as the minimum number of performance standards a local agency had to meet in order to qualify for a bonus or to be penalized, or the level of performance at or above state standards that generated incentive payments. Many states encouraged competition among local service-delivery areas by making bonus levels contingent upon performance relative to other areas.

**Weights accorded to different performance goals.** States could not only set different performance levels, but in determining bonuses they could attach different degrees of importance to the core federal performance standards. States and localities could also establish additional performance standards for services to disadvantaged groups.

**Service-delivery strategies and contracting.** Some agencies provided training services directly to participants, others contracted them out or formed partnerships with local providers. Some local service-delivery areas developed their own systems of competitive bidding and performance accountability for their private providers and used these data in their contracting decisions.

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managers with useful information? In the empirical analyses summarized here, I make use of multilevel modeling to test hypotheses about how factors measured at one level of an administrative hierarchy (the state or local job-training agency) interact with variables at another level (the individual client). The National JTPA Study includes data on the demographic characteristics, earnings histories, and program participation of treatment and control group members; information on the administrative structures, performance incentive policies, service delivery, and contracting strategies of the 16 programs; and the unemployment rate and regional indicators of the service delivery areas over the years of the study. Major policy changes during the 1987–89 study years led to significant variation from year to year; this variation expands the number of observations and strengthens the analysis.

In the models, I compared the earnings outcomes of individual participants in the first year after they left the program—these are the data that would typically be available to program managers—with the impacts estimated with data from the National JTPA Study. I found that the estimated effects for individuals were broadly in agreement with each other and with earlier JTPA research.<sup>13</sup> Dollar amounts differ; one cannot expect that the earnings outcomes will accurately provide the kind of net value-added estimates for the program that might be possible with an impact analysis such as that provided by the National JTPA Study. Labor market outcomes constitute one example of the differences. It had been observed that those with less than a high school diploma generally had poorer labor market outcomes, even after they completed the jobs program, than those who completed high school. According to the administrative outcome data, workers without the diploma earned about \$1,700 less in

the first year, whereas the model using the experimental study estimated that the workers without diplomas in the experimental group received about \$1,100 less. But these models do agree on the nature and direction of the policy and administration effects.

When I included the effects of structural, policy, and management factors on earnings for the year after the workers left the program, both models were substantially in agreement. In both, these controls, which included regional and economic conditions, explained over 90 percent of the variation in outcomes and impacts across the sites. Notably, the relative size and statistical significance of the coefficients in both models were fairly consistent. Using either set of results, policymakers could have determined, for example, that:

- when private-sector representatives assume more formal management responsibilities, participants realize significantly higher earnings levels and the experimental impacts on the treated group are higher;
- participants also earn more when private industry councils *do not* share management responsibilities as equal partners with local elected authorities;
- the weight given to the “entered-employment” rate—one of the most important performance standards in the JTPA program—is positively and significantly related to the earnings outcomes of participants and to the experimental impacts.

In general, then, managers who rely upon the administrative data for guidance in improving performance are not likely to be led astray. They may obtain a better understanding of the effects of policy decisions concerning those factors that are within their control.

That said, over 95 percent of the total variation in earnings outcomes and impacts is within sites, at the level of the *individual*. Moreover, the proportion of the variation in the earnings of JTPA participants that we can explain at this level is low: only 14 percent of earnings outcomes in the administrative data and 6 percent of the experimental impacts can be attributed to the individual-level variables included in the models. This is not surprising, when one considers the many factors that affect an individual’s labor market success, particularly a year after he or she has left the job-training program. Relationships with employers, the acquisition of additional education or job skills, and other environmental influences can all make a difference, and variation among individuals cannot always be explained by observed characteristics. These policy findings are nonetheless important. Organizations cannot change clients’ backgrounds, but they do have control over what have been called “fundamental levers for influencing client outcomes,” such as the availability of services and administrative structures that shape service delivery.<sup>14</sup>

If these findings are encouraging, there are still formidable challenges in identifying the influences on organizational performance and linking them to their origins in what managers do or in external factors outside a manager’s control. For example, should the system focus managers’ attention on a single impact indicator or should it allow for multiple goals (equity *and* efficiency)? In performance management systems, public managers have to confront inherent tensions between simple, verifiable goals and more complex measures, and between the capacity and adaptability of the measurement system. The promise of continuous improvement held out by the advocates of performance management might be better served by developing systems that focus on effective policy tools for guiding program management (“getting the question right”) rather than on precise measurement of government performance (“getting the numbers right”). And how should the system identify the influence of diverse administrative priorities and goals? How can it account for the tendency to “game the system” that sometimes develops when goals and priorities diverge?

## Improving performance management under WIA

JTPA’s successor, WIA, sought to deal with some of these complexities by changing the way performance measures were established in the first place. WIA retained the basic structure and organizational components of the JTPA program, but made major changes in eligibility, in the types of services offered, and in the processes for performance accountability.

Under WIA, a range of core services such as labor market information or job search assistance is available to the general public, not solely to those with low income. Individuals can access more intensive services, such as comprehensive assessment and case management, if they fail to get a job after receiving the core services. These services are typically provided through one-stop employment centers that also include programs from other human service agencies.

The emphasis on performance management is greater under WIA than under the JTPA. Prominent in the WIA provisions are the measurement and analysis of results, continuous improvement in performance, shared accountability, and a “marketplace” focus on service to “customers” instead of “clients.” The federal government now negotiates performance targets and annual adjustments with the states, abandoning the regression model approach used under JTPA. New measures of “customer satisfaction” (the “customer” being both the program participant and the employer) were introduced. WIA also added credential rates that measure education, training, and skill certification completed by adults, dislocated workers, and older youth, for a total of 17 performance

**Table 2**  
**Negotiated Performance Standards under WIA<sup>a</sup>**

Negotiated Performance Standard	Minimum Level Set across States	Maximum Level Set across States	States Meeting or Exceeding Their Negotiated Performance Target		
			PY 2000	PY 2001	PY 2002
Adult entered-employment rate	45.0%	78.0%	56.7%	66.5%	61.5%
Adult employment-retention rate	60.0	88.0	54.0	60.7	57.7
Adult earnings change	\$674	\$4,638	49.3	64.6	48.1
Adult credential rate	30.0%	71.0%	36.7	45.6	46.2
Dislocated worker entered-employment rate	61.0	84.4	52.7	65.5	55.8
Dislocated worker employment-retention rate	59.0	93.2	42.0	58.7	51.9
Dislocated worker earning-replacement rate	80.0	106.0	54.7	74.8	61.5
Dislocated worker credential rate	27.0	72.0	36.7	58.7	55.8
Older youth entered-employment rate	50.0	75.0	58.7	63.6	42.3
Older youth employment-retention rate	59.0	83.6	52.0	61.2	48.1
Older youth earnings change	\$517	\$4,075	52.7	64.6	59.6
Older youth credential rate	21.0%	55.0%	29.3	31.6	23.1
Younger youth retention rate	35.0	74.0	38.0	59.2	57.7
Younger youth skill attainment rate	50.0	90.0	72.0	69.4	53.9
Younger youth diploma rate	25.0	66.0	25.3	45.6	50.0
Employer satisfaction	60.0	78.0	45.3	75.7	69.2
Participant satisfaction	63.0	78.0	51.3	78.6	76.9

<sup>a</sup>For 50 states, the District of Columbia, and Puerto Rico.

measures (see Table 2). Agencies are expected to develop “five-year plans” in which the negotiated performance standards are revisited every year.

Experience with the JTPA suggests that we should pay very close attention to the way in which performance standards are developed and the incentives they create for program managers and staff. To improve their measured performance, for example, some JTPA program administrators and caseworkers were reported to be limiting the access of more disadvantaged applicants to program services—in other words, “cream-skimming.” Some also strategically organized their “trainee inventories” and timed participants’ exits from the program to improve their year-end performance levels.<sup>15</sup>

Early studies of the WIA performance management system have suggested that it is working poorly.<sup>16</sup> One problem is data. States have struggled to meet the new DOL requirements for management information systems; some were able to modify existing JTPA systems, but others had to begin afresh, and experienced the expected delays and complications that attend the development of new software systems. Data lags did not help matters. States constructed their standards for 2000–02 using baseline data drawn from 1994–99. Using baseline data that were two to three years old to project performance targets one to three years ahead might always be less than ideal, but the recession that began in 2000 created some fundamental problems for the state efforts to meet the measures.

In light of these criticisms, how effectively did the WIA performance management system gauge program performance? Did it create better incentives to improve outcomes for participants? To answer such questions, I be-

gan with a qualitative analysis of how states determined their performance goals and standards, and how they made adjustments to those standards. An examination of the variation in and relationships among the negotiated standards and state performance levels was followed by an empirical exploration of the difference between the negotiated standards and actual state performance. The research examined the first three years of experience under the new management system (2000–02). This examination suggests that, rather than increasing the comparability of performance across states, the WIA system added new sources of arbitrary decision making, compromising the effectiveness of the measures as a tool for performance evaluation and improvement.

Some new measures under WIA have simply failed so far to prove useful. For example, the “soft” measures of customer satisfaction, intended to make program administrators more accountable to the primary customers of WIA services, proved disappointingly uninformative—in part because the questions were vaguely phrased. Nor did analysis find a consistent or significant relationship between these new measures and the objective measures of labor market outcomes.

### **How are performance measures being set?**

The performance management system under WIA has been aptly described as a “high stakes game” with strong financial incentives. In order to be eligible for substantial bonuses, for example, states must achieve at least 80 percent of the negotiated performance level for each of the required measures. States that do not meet their performance goals two years in a row may be penalized. So far, there is no performance measure on which all states



have met 80 percent of their target (Table 2, columns 3–5). In PY 2000, only four states met their minimum requirements for all 17 measures. Furthermore, many states are at risk of sanctions: 38 states failed to achieve the 80 percent level for all measures for two consecutive years (not shown in Table 2). These results alone are sufficient to explain the great dissatisfaction that administrators have expressed with the new performance management system.

The WIA performance measures drew upon varied sources. Historical data from the JTPA were used in about half the states, but states also made use of projected national averages provided by the DOL, unemployment insurance data, and their own performance baselines from previous years. The process was complex and sometimes incomplete. States were instructed to take into account differences in economic conditions, participant characteristics, and services provided; for most, these adjustments were made informally during the review process.

Wisconsin, for example, used program year (PY) 1997 data and the projected national averages in negotiations with local officials. When the PY 1997 baseline was above the projected national averages, the latter were used as the target; when Wisconsin's baseline numbers were below the national averages, the state's baseline numbers were used. Indiana reported that it used PY 1999 data to determine the performance standards but did not have time for consultations with local workforce development officials, and presented only first-year goals in its five-year plan. Only two states (Texas and Maryland) and the District of Columbia reported using statistical models to determine performance standards.

Although one goal of the WIA performance management system was to standardize the types of performance data collected, the negotiation of performance standards clearly introduced substantially greater discretion and variability (Table 2, columns 1–2). Some state targets were above the national standards, some below, likely reflecting risk-balancing strategies such as those used in Wisconsin. Three states (California, Rhode Island, and North Carolina) established performance standards that were all below the national goals. But the differences in standards did not appear to systematically adjust (or account) for differences among states.

Analyses suggest that there were only two consistent associations between negotiated performance standards and participant characteristics. First, states with higher percentages of Hispanic and limited-English-proficiency populations had significantly lower performance targets for all adult, dislocated-worker, and youth performance measures. There were, indeed, strong, statistically significant, negative relationships between the performance levels states achieved and their percentages of Hispanic and limited-English-proficiency participants. Second, states that in 1998 had higher levels of unemployment set

significantly lower standards for the entered-employment rates of adults, dislocated workers, and older youth and for the employment retention rates of younger youth. But although states had thus “hedged their bets,” the state unemployment rate was strongly linked to failure to meet the target for several of these measured standards (for example, the entered-employment rate of older youth).

This particular finding also directs attention to a serious failing in the performance system: the expectations of continuous improvement built into the annual ratcheting up of performance standards. In each of the three program years, both national goals and state standards set higher absolute levels of performance requirements for nearly all measures—this in a time of economic recession and rising unemployment, when downward adjustments, if anything, were needed to account for changing local conditions in all states. In the absence of an adequate process for adjusting these standards, program managers appear to have made undesirable accommodations after the fact, for example, by restricting access to participants they deemed likely to fail. “Cream-skimming” had been reported under the JTPA. A study of WIA suggests that history may be repeating itself.<sup>17</sup>

The difficulties described in this analysis of the WIA system are characteristic of the challenges that public managers face in trying to design and implement outcomes-based performance management. Particularly in social programs, it is difficult if not infeasible to attempt to distinguish the contributions of program services and management from the influence of other local factors. And when the stakes are raised, it is hardly surprising that public managers might turn to counterproductive means of achieving higher levels of measured performance at the expense of other program goals. Technological improvements—better computer software and data collection—are only part of the solution. As both this WIA study and the JTPA analyses summarized earlier in the article suggest, major questions of design and goal-setting remain. ■

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<sup>1</sup>B. Radin, *Beyond Machiavelli: Policy Analysis Comes of Age* (Washington, DC: Georgetown University Press, 2000), p. 168.

<sup>2</sup>W. Edwards Deming, *Out of the Crisis* (Cambridge, MA: MIT Institute for Advanced Engineering Study, 1986).

<sup>3</sup>R. Behn, *Rethinking Democratic Accountability* (Washington, DC: Brookings Institution, 2001); C. Lindblom, “The Science of Muddling Through,” *Public Administration Review* 19, no.1 (1959): 79–88.

<sup>4</sup>J. Heckman, C. Heinrich, and J. Smith, “The Performance of Performance Standards,” *Journal of Human Resources* 37, no. 4 (Fall 2002): 778–811.

<sup>5</sup>Radin, *Beyond Machiavelli*; H. Mintzberg, “Managing Government, Governing Management,” *Harvard Business Review* 74 (May/June 1996): 75–83; B. Peters, “Policy Instruments and Public Management: Bridging the Gaps,” *Journal of Public Administration Research and Theory* 10, no. 1 (2000): 35–48.

<sup>6</sup>On cream-skimming, see especially Heckman, Heinrich, and Smith, “The Performance of Performance Standards.”

<sup>7</sup>U.S. Government Accountability Office (formerly U.S. General Accounting Office), *Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans*, GAO/GGD/AIMD99-215, 1999.

<sup>8</sup>U.S. Government Accountability Office (formerly U.S. General Accounting Office) has published three reports: *Managing for Results: Prospects for Effective Implementation of the Government Performance and Results Act*, GAO/T-GGD-97-113, 1997; *Managing for Results: Analytic Challenges in Measuring Performance*, GAO/HEHS/GGD-97-138, 1997; *Managing for Results: Opportunities for Continued Improvements*.

<sup>9</sup>The research that I discuss here has been reported at length in C. Heinrich, "Outcomes-Based Performance Management in the Public Sector: Implications for Government Accountability and Effectiveness," *Public Administration Review* 62, no. 6 (November/December 2002): 712–25 (on JTPA; IRP thanks *Public Administration Review* for permission to use these materials); "Improving Public Sector Performance Management: One Step Forward, Two Steps Back?" forthcoming, *Public Finance and Management* (on WIA). A more general article discussing these issues is C. Heinrich, "Measuring Public Sector Performance and Effectiveness," in *Handbook of Public Administration*, ed. B. Peters and J. Pierre (Thousand Oaks, CA: Sage Publications, 2003).

<sup>10</sup>H. Bloom, L. Orr, G. Cave, S. Bell, and F. Doolittle, *The National JTPA Study: Title IIA Impacts on Earnings and Employment at 18 Months* (Bethesda, MD: Abt Associates, 2003).

<sup>11</sup>C. Heinrich and L. Lynn, Jr. "Governance and Performance: The Influence of Program Structure and Management on Job Training Partnership Act (JTPA) Program Outcomes," in *Governance and Per-*

*formance: New Perspectives*, ed. C. Heinrich and L. Lynn, Jr. (Washington, DC: Georgetown University Press, 2000).

<sup>12</sup>C. Heinrich, "Do Government Bureaucrats Make Effective Use of Performance Management Information?" *Journal of Public Administration Research and Theory* 9, no. 3 (1999): 363–93; J. Heckman, C. Heinrich, and J. Smith, "Assessing the Performance of Performance Standards in Public Bureaucracies," *American Economic Review* 7, no. 2 (1997): 389–96; R. Kravchuk and S. Schack, "Designing Effective Performance Measurement Systems under the Government Performance and Results Act of 1993," *Public Administration Review* 56, no. 4 (1996): 348–58.

<sup>13</sup>For example, L. Orr, H. Bloom, S. Bell, W. Lin, G. Cave, and F. Doolittle, *The National JTPA Study: Impacts, Benefits, and Costs of Title IIA* (Bethesda, Md: Abt Associates, 1994).

<sup>14</sup>C. Hill, "Impacts, Outcomes, and Management in Welfare-to-Work Programs," Ph.D. dissertation, University of Chicago, 2001 (p. 4).

<sup>15</sup>See, e.g., P. Courty and G. Marschke, "An Empirical Investigation of Gaming Responses to Performance Incentives," *Journal of Labor Economics* 22, no. 1 (January 2004): 23–56.

<sup>16</sup>U.S. Government Accountability Office (formerly U.S. General Accounting Office), *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO Report 02-275, 2002.

<sup>17</sup>U.S. GAO, *Workforce Investment Act: Improvements Needed*.

# Service and systems integration: A collaborative project

Thomas Corbett and Jennifer L. Noyes

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The issue of social service program integration is not new, but it once again became prominent in 2002 in the context of welfare reform reauthorization. The Bush administration's proposal to reauthorize the Temporary Assistance for Needy Families (TANF) block grant—the primary federal cash assistance program for impoverished children—included a provision authorizing federal agencies to approve waivers of existing federal regulations across a broad range of public assistance, workforce development, and other programs.<sup>1</sup> The administration asserted that the proposed waiver authority, the so-called “superwaiver,” was designed to build on the federal government's past practice of permitting states to innovate and experiment with better ways of delivering social services. Critics responded that the superwaiver approach was not an effective way to address larger underlying structural problems, and ran the risk of undercutting key federal protections and accountability.

Within a few months, it became clear that the controversy generated by the superwaiver proposal could sidetrack broader consideration of policy devolution and systems integration as a strategy for improving services to low-income families with children. In response, several interested organizations developed an initiative to promote discussion of state flexibility that was grounded in evidence, experience, and substantive inquiry rather than ideology and anecdote.<sup>2</sup>

This cooperating group of organizations, loosely organized into an initiative we are currently calling SINET, or the Service Integration Network, includes IRP, the National Governors Association Center for Best Practices, the Hudson Institute's Welfare Policy Center, the Annie E. Casey Foundation Strategic Consulting Group, the Research Forum at Columbia University, and the Rockefeller Institute for Government at SUNY-Albany. One underlying motivation for the early work of SINET is a belief that some of the most promising insights and inspiration are located in those sites already struggling to deliver services to disadvantaged families and communities more effectively and efficiently. Thus, a focal strategy of this project is to facilitate communication among what they have come to call “lighthouse” sites—mostly local agencies engaged in innovative programming and

service delivery—and to draw lessons from those interchanges.

Since 2002, the sponsoring organizations have held workshops to foster conversations among policy experts and those working on the front lines and have reviewed at least some of the research literature. Project leaders have also visited a number of lighthouse sites to see what they have been doing and to understand why these sites have been successful where so many have failed.

## Stages in the SINET project

There are three major subprojects (or “modules”) in the SINET project (see Figure 1):

1. A project to examine legal issues that arise in cross-systems initiatives in particular areas, which has been followed by discussions with state and federal policymakers and the development of a set of recommendations for a federal role in support of cross-systems integration efforts. This module, with support from the Annie E. Casey Foundation, included legal analysis by staff from the Center for Law and Social Policy (CLASP) and the Center on Budget and Policy Priorities (CBPP), and was coordinated by Jennifer L. Noyes, Susan Golonka and Courtney Smith (NGA), and Mark Greenberg (CLASP).

This work has been completed, and in an accompanying article by Mark Greenberg and Jennifer L. Noyes we report selected findings from one of the papers developed under this module. That article is the first in what we anticipate will be an ongoing series based on the findings that emerge from the SINET project.

2. An operational analysis of the lighthouse sites, to illuminate and disseminate insights and lessons that might facilitate the spread of integrated service models. Module 2 is funded at present by the Joyce Foundation and IRP. The work is being coordinated by Jennifer L. Noyes and Tom Corbett (IRP), with major contributions from James Dimas and James Fong (Casey Foundation), Susan Golonka, and Mark Ragan (Rockefeller Institute).

3. A technical and methodological analysis designed to assess how the accountability of integrated service models can be strengthened and how such models can be more rigorously evaluated. Module 3 is being planned, with support from IRP, the Research Forum at Columbia University, and the Hudson Institute. Barbara Blum (Research Forum) and

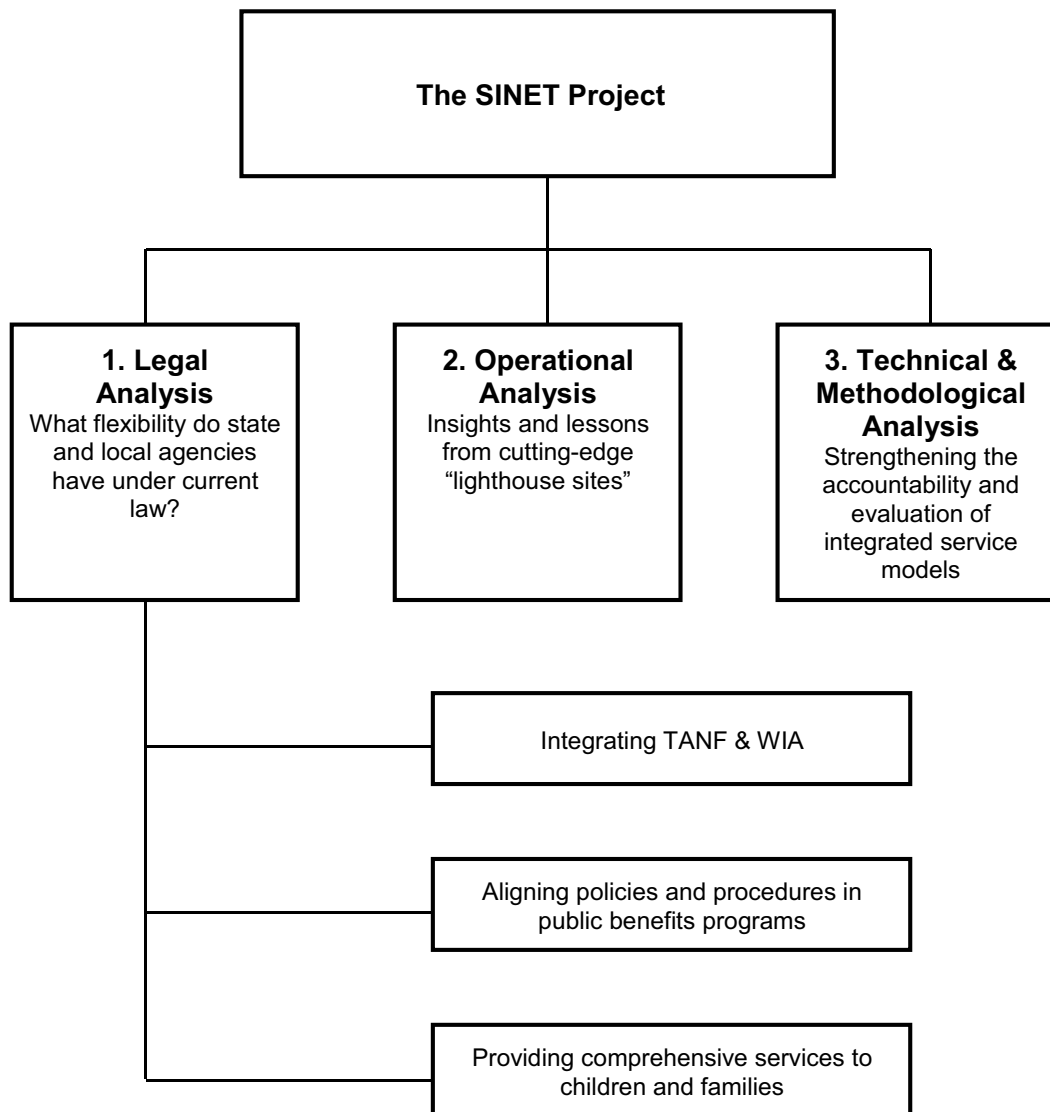


Figure 1. An outline for the SINET project.

Tom Corbett have coordinated early developmental work, with assistance from Jennifer L. Noyes.

Support for various initiatives undertaken as part of this effort is provided by the Joyce Foundation (Chicago, IL), the Annie E. Casey Foundation (Baltimore, MD), and the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services, through its core grant to IRP.

### Challenges confronting service integration

One clear, though hardly new, lesson that has emerged from the SINET project is that service integration is inherently difficult.<sup>3</sup> Some underlying challenges include:

1. How to encourage states and localities to experiment with integrated service systems while ensuring that the

most disadvantaged families are adequately served, not overlooked in systems designed to serve broader populations? This first perplexity raises questions about how equitable treatment is defined—is it more equitable to treat all who are similarly situated the same, or to provide services that reflect individual and geographic differences?

2. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 dramatically changed cash welfare programs while maintaining the statutory and regulatory structure of other programs important to low-income families, such as the food stamp, housing, and workforce programs. In so doing, it respected the different rationales for these programs, but created a source of continuing tensions among the institutional cultures within which the programs operate. How might these be resolved in an integrated program?

3. How can integrated services satisfy the legitimate fiscal interests of federal, state, and local governments in ensuring that funds are properly deployed to address policy objectives? It is easier to ensure fiscal and programmatic accountability and to assess performance when programs are narrowly defined in terms of target populations and the benefits or services provided.

These are major challenges that have continued to plague human services delivery, whatever the form such services have taken. Service integration efforts face a particular, additional difficulty: There is no compelling evidence that these integrated systems result in better outcomes, despite the enthusiastic testimony of those who have implemented such models. Rigorous proof is difficult to come by because of the conceptual and logistical challenges these models present to conventional evaluation methods.

There are thus many unanswered questions about integrated service models. Are some more vulnerable populations adversely affected by more inclusive models (e.g., one-stop centers) in which the needs of less aggressive or sympathetic customers might get lost? Are there issues of scale that limit the extent to which true integration can be achieved before systems break down or staff experience overload? Does confusion about an integrated agency's mission dilute the quality of services, confuse customers and staff, and diminish accountability? In the end, resolving challenges of accountability remains a critical issue.<sup>4</sup>

### Some issues to think about

There are also more pragmatic and immediate difficulties confronting the contemporary service integration effort. SINET project activities have provided insights and perspectives that may help to shape strategies for resolving them.

1. There is no single vision or definition of service integration. Existing models are organized around different purposes, are structured and managed in quite different ways, and include varied partners. This is in part because virtually all successful integrated service models are local and emerged as a consequence of local initiative and leadership.

2. Because many of the most difficult challenges to service and systems integration must be overcome at the state and local level, the debate has begun to focus more closely on the capacity of states and localities to take advantage of existing tools and strategies. Analysis of legal and regulatory barriers to integration suggests that, in general, state and local jurisdictions do have substantial leeway to craft cross-system innovations, though some structural and practice reforms at the federal level would advance this agenda. Many states are considering how they may abet local efforts to experiment with inte-

grated models and alter their governance strategies accordingly.

3. Successfully implementing integrated service models is very difficult. A number of the lighthouse sites have remarked that many officials visit their sites but very few replicate their models to any extent, though they may influence subsequent policy and practice. Of all the factors examined to date, strong leadership and a clear mission appear the most important in successful models. Because leadership often drives mission and vision, it appears to carry more weight than structural arrangements, innovative administrative processes, or other mechanical aspects of these systems.

4. Sustaining integrated service models may be even more difficult than implementing them. Apparently, the centrifugal forces that tend to drive systems apart, thus recreating the separate categorical structure that dominates the U.S. system of social assistance, are quite strong.

5. Service integration is not an event but a progress toward a goal, with many milestones along the way. In reality, the goal may never be reached, success always being after the next adjustment or after reform is complete. Nor is there any single strategy for advancing service integration. Strategies must be multidimensional and include many organizations and perspectives. That said, perhaps the best source of inspiration may be the examples and insights drawn from those actually doing it.

In future articles in this series, we will review a conceptual model for thinking about the challenges inherent in service integration projects. We also will report on some state and local initiatives being undertaken as part of the National Governors Association Policy Academy on Cross-Systems Innovation. ■

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<sup>1</sup>*Working Toward Independence*, Summary of President's Welfare Reform agenda, February 26, 2002, page 35.

<sup>2</sup>T. Corbett, S. Golonka, C. Smith, and J. Noyes, "Enhancing the Capacity for Cross-Systems Innovation: A Project Overview," November 6, 2002.

<sup>3</sup>The movement toward service integration and some of the main issues involved were discussed in a series of articles in *Focus* 22:3 (Summer 2003), *Service and Systems Integration: Renewing the Quest for the "Holy Grail" of Public Policy*.

<sup>4</sup>This enumeration has been abridged and modified from a longer list originally published in a background paper prepared for an October 2003 meeting in Washington, DC, *Services and Systems Integration: Initiating the Journey* (the meeting is discussed later in this article). The paper can be obtained from Tom Corbett, Institute for Research on Poverty, or Jennifer Noyes, the Hudson Institute.

# The opportunities for service integration under current law

Mark Greenberg and Jennifer L. Noyes

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There have been many discussions of the challenges states and localities face in service integration efforts, but there is no common understanding of the extent to which federal statutory and regulatory requirements impede such efforts. The lack of consensus on this point became clear during consideration of the broad superwaiver authority initially proposed as part of welfare reauthorization. In an effort to advance understanding of the issues, the National Governors Association, Hudson Institute, and Center for Law and Social Policy (CLASP) initiated a project to examine several key areas in which states wanted to promote service integration and then identify legal issues and potential legal barriers to such integration. As part of the project, the authors (who share a belief in the importance of supporting service integration at the state and local level but differ in our views of the superwaiver) sought to develop a set of joint recommendations for federal action—legislative, regulatory, and administrative—to support state and local service integration efforts.

## Diagnosing federal barriers to service integration

The first step in this analytical process was to diagnose the extent of the problem at the federal level. Because it was not feasible to develop and test every possible scenario, staff from CLASP and the Center on Budget and Policy Priorities (CBPP) were asked to complete analyses of legal issues in three policy areas in which many states and localities have focused their energies or expressed a particular interest.<sup>1</sup>

1. Integrating TANF-funded employment efforts with programs under the Workforce Investment Act (WIA) of 1998 to create a workforce system in which service strategies are based on individualized determinations of needs rather than narrow, categorical eligibility rules.
2. Aligning policies and procedures in public benefits programs—Medicaid, the State Children’s Health Insurance Program (SCHIP), TANF cash assistance, and state child care programs under the Child Care and Develop-

ment Fund (CCDF)—to provide for a single application and harmonized verification, reporting, and recertification requirements.

3. Providing comprehensive services to children and families, with family-based case management and the capacity to link family members with needed services.

In each area, CLASP and CBPP staff generated legal analyses to identify those components of the models that could be achieved under current law and regulations.

The analytical strategy had some limitations. First, these analyses did not speak to all integration possibilities. Strategies involving other programs or different structural changes that altered more basic features of those programs could be designed and analyzed. Second, the three models differed in their degree of specificity. The most clearly definable—aligning policies and procedures in benefit programs—was the most conducive to definitive conclusions; the model with the least clarity—providing comprehensive services to children and families—was least able to do so. Third, the analyses were intended to focus solely on the legal impediments to integration. Other impediments, including leadership, capacity, and administrative issues, are to be examined in other aspects of the overall project, as noted in the accompanying article by Corbett and Noyes. Despite these limitations, the analyses provide significant insight into the flexibility that already exists within current law and practice.

Ultimately, each of the three analyses came to different conclusions about the extent to which current federal law poses a significant barrier to adopting the model. Although some of the differences may flow from the somewhat different approaches taken by the different authors of the three analyses, the general picture that emerges makes it clear that the opportunities and challenges differ across the areas of state and local interest.

Module I in the SINET project included three analyses (see Figure 1 in the article by Corbett and Noyes in this *Focus*). This article includes information from one of the analyses, which addressed issues in the integration of Temporary Assistance for Needy Families with programs under the Workforce Investment Act of 1998. The other two analyses bearing on the simplification and integration of public benefits and the provision of comprehensive family benefits will be considered in future *Focus* articles.

Broadly, the three analyses concluded:

1. In the area of TANF-WIA integration, there are significant steps that states can take under current law, but states face barriers to full integration, largely flowing from legislative decisions made by Congress in the TANF or WIA legislation or both.
2. In the area of simplification and integration of public benefits, there are some limits, but current law enables states to develop a single application form and harmonize reporting, verification, and recertification requirements.
3. In the area of comprehensive family services, the greatest barriers are not legal, but rather relate to nonlegal issues that arise in efforts to bring multiple programs, funding streams, entities, and organizations together in a coordinated or integrated effort.

Reviewing the conclusions from the three analyses, we suggest some more general observations that can be useful in the effort to integrate state and local programs.

First, as we noted, the principal barriers to service integration are in some instances not legal, but include issues of management, resources, leadership, vision, and sharing of experiences. However, the perceptions that there are legal barriers can create stumbling blocks, and addressing those perceptions can make it easier for state and local initiatives to concentrate efforts on other issues.

Second, states are often not fully exercising the choices available under federal law. This may be due to policy or resource considerations or because some options are relatively new. Sometimes, however, the choices are not straightforward, and considerable technical expertise may be required merely to understand what is possible. Federal agencies often do not offer technical assistance in areas that cut across multiple programs, agencies, or departments.

Third, there are clearly some areas in which different and inconsistent federal requirements make integration far more difficult. Sometimes, differences arise because agencies write regulations without placing a priority on fostering consistency across programs. Or Congress may have enacted inconsistent requirements for closely related programs. The different requirements may reflect underlying congressional decisions to take different policy approaches to different programs, perhaps to balance competing priorities, or may simply reflect the reality that different committees or sessions of Congress were responsible for particular pieces of legislation.

For reasons of space, this article considers in detail only one of the analyses: the integration of TANF and WIA programs. It is intended to illustrate the type of analysis completed as part of this project. However, the possible federal actions included in the subsequent section of this article are based on our view of the implications of all three of the legal analyses completed.

## **A detailed example: Integrating TANF and WIA into a single workforce system**

The goals of TANF and WIA are overlapping but not identical. TANF provides a funding stream that can be used for a broad range of services and benefits, including efforts to link low-income unemployed parents with work and to provide supports to low-income working families. WIA seeks to integrate a range of employment and training programs into a single one-stop delivery system, in which all unemployed and employed workers are potentially eligible for a range of services, and which is responsive to the needs of the business community.

In the model of a fully integrated workforce development system that is considered here, all unemployed and employed workers could seek employment assistance from a universal system, and states and localities could structure service strategies based on individualized assessments and needs instead of on federal rules specifying particular approaches for particular categories of claimants. Services would include training and skills development, work supports such as child care, and transportation and income supports.

There are many areas in which differences between the legal requirements of TANF and WIA make implementation of such a model difficult. Overall, these differences fall into three categories:

*Fundamental policy-based differences.* Some differences arise from features of each funding stream that Congress likely views as fundamental. For example, TANF uses participation rates, and WIA uses performance measures. This critical difference is not an oversight but is based upon the preferences of legislators. It is doubtful that an interest in fostering integration would be a sufficient reason for Congress to allow a fundamental policy decision to be overridden.

*Statutory/regulatory differences that occur for a reason, but may not be fundamental.* In such instances, Congress might be more receptive to modifying the rules in one program to reduce complexity and support integration.

*Differences that are unlikely to reflect underlying policy differences and may be inadvertent.* Differences in data reporting requirements, for example, may simply reflect differences in how the statutes were worded or how implementers designed their requirements. It is difficult to see any policy reason that the respective agencies could not work to harmonize their approaches and to identify areas in which action by Congress is needed.

The authors of this particular analysis concluded that an effort by federal agencies to eliminate needless differences, and to identify and resolve—or present to Congress—those for which policy justifications may not be strong would assist states in bringing TANF and WIA together in a single workforce system.

## Problem areas in TANF-WIA integration

*Eligibility for employment services.* Between TANF and WIA, it is technically possible to provide employment services to any unemployed adult and to any low-income employed adult. TANF, however, is more limited in who can be served—primarily low-income adults with children. With respect to eligibility, the states' biggest problem is probably not inability to find a potentially allowable funding stream. Rather, it is the lack of sufficient funding to serve all eligible persons, the occasional complexity of the rules, and the many different requirements (e.g., participation, performance, data reporting) that flow from the funding stream used.

*Providing employment services.* Under both TANF and WIA, states have broad discretion in deciding which employment services to fund. But requirements differ.

For families receiving TANF assistance, a state must meet federal participation rates to avoid risking a penalty. Families must be engaged in one or more listed activities for a specified number of hours each week to count toward participation rates. Thus, a state is theoretically free to fund any employment service it deems appropriate, but may in practice be constrained depending on the activities that count toward federal participation requirements.

For individuals receiving WIA-funded services, access to intensive support and training services depends on satisfying sequential eligibility requirements. Additionally, if WIA funds are used to provide training for an adult or dislocated worker, then the training must generally be provided through an individual training account (i.e., a voucher to be used with a provider chosen from among a list of eligible providers established by the state).

*Supportive services.* States have broad flexibility in determining whether and how to provide supportive services under TANF; however, if the supportive service falls within the definition of "assistance," a set of requirements—time limits, participation rates, child support cooperation—applies to the family. States do not face the same constraint under WIA, but can only use WIA funds "as a last resort," to provide supportive services for individuals who are unable to obtain such services through any other programs.

*Income support in connection with employment services.* When using TANF funds, a state may design ongoing or short-term income support for participants receiving employment services, though ongoing income support is considered "assistance" and is subject to the assistance-related requirements. WIA only allows needs-based payments for participants in or awaiting training; there are other constraints also. Thus, if a state or local area wished to provide payments to all needy participants receiving employment services, it would be possible to use TANF funds for families, and WIA funds for single individuals,

but the effective constraints (apart from limited resources) are that the TANF funds will often be considered assistance, and the WIA funds will be limited to individuals in training.

*Performance measurement.* There are significant differences in how performance is measured under TANF and WIA.<sup>2</sup> TANF has bonuses for "high performance" and reductions in out-of-wedlock births, but the principal measure of performance under TANF is probably the participation rate structure. WIA uses outcome-based performance indicators for state and local performance; state performance is the basis for incentive funds or penalties, and local performance for incentive funds or corrective action by the state. In a fully integrated system, one set of measures would be used to assess performance for all participants.

Because WIA and TANF measures are different, states face two options, equally problematic. An integrated system could elect to apply the same TANF-type participation requirements to all individuals, but this would significantly curtail discretion and might often result in inappropriate plans. A state or locality could collect WIA performance-related data for all individuals, including those receiving only TANF-funded services, but the WIA-related performance measures would not be relevant for TANF performance measurement, and those receiving only TANF assistance would not be part of the WIA performance measurement structure.

*Participant reporting requirements.* Both TANF and WIA have extensive participant reporting requirements, and they differ considerably. TANF's requirements apply to families receiving assistance, WIA's to individual registrants. In a detailed comparison of the requirements, the authors found that very few of the data elements were identical or nearly identical. The differences, though, largely flow not from the failure of federal agencies to coordinate, but from differences in the information specified under the legislative requirements of the two programs.

*Administrative structures and decision-making.* TANF does not require any particular administrative structure, and states are free to determine which program activities should be conducted by state government, local government, or private entities. WIA specifies a governance structure at the state and local levels and one-stop centers to deliver services. A limited number of states are authorized to operate with a single statewide area, but in many states, jurisdictional boundaries for TANF and WIA are different.

The three legal analyses formed the basis for an October 2003 working session that brought together state and local administrators, federal officials, researchers, policy advocates, representatives of state organizations, and others. During this meeting, state administrators with ex-



perience in and responsibility for the affected programs responded to the conclusions of the analyses and then discussion was opened to the entire group.

In considering the analysis of TANF-WIA integration, participants accepted that there were real challenges—but also real opportunities—in the legal and regulatory structures of TANF and WIA. Bureaucracies, however, do not care for ambiguity and typically avoid risk. It is, therefore, unlikely that specific integration strategies will be pursued unless there is clear legal authority. The barriers that seemed particularly high are the role of WIA as a “funder of last resort”; the tightly specified procurement process for education and training under WIA; WIA’s emphasis on high performance, which creates disincentives for serving clients with the greatest barriers; and the top-down and prescriptive governance structure of WIA compared to the open governance structure under TANF.

Participants also found some nonlegal issues important to resolving legal differences. First, state legislators are much less aware of programs and policies under WIA than of those funded with TANF dollars. A lack of awareness may equate to a lack of trust. And second, administrators in each program tend to assume that the other program is very complex. Such assumptions are likely to affect the willingness of state and local leaders and managers to pursue integration.<sup>3</sup>

## **The possibilities for action by the federal government**

The second step in the analytical process was to identify actions, given the results of the detailed legal analyses completed, that could be undertaken by the federal government in support of state and local service integration efforts. We concluded that the federal government, both executive and legislative, could pursue a variety of options to help state and local service integration efforts. Some options would require legislative changes, but others could be implemented within the agencies’ existing authority. On the basis of our review of the three analyses as well as the discussion at the October 2003 meeting, we concluded that some of the most viable options include information-sharing, the provision of technical assistance, improved agency regulatory coordination, and the establishment of a federal “Interagency Project on Service Integration.”<sup>4</sup>

### **Sharing information**

States and localities would benefit if the federal government were to play a much more active role in generating and sharing information about the opportunities for cross-program integration efforts. States could be assisted in understanding both the extent to which legal barriers can be addressed and effective approaches to the array of nonlegal issues that arise in such efforts. Such a federal

initiative would require that federal agencies develop technical expertise regarding legal requirements within and across agencies; that they actively engage in learning about the legal and nonlegal issues that arise in state efforts; that they develop improved and expedited ways of answering cross-agency inquiries; and that they implement strategies to disseminate information to states and localities.

A federal effort should not seek to impose particular models or approaches on states. It should instead help states understand the lessons learned from existing initiatives and should be responsive to the questions from states and localities, through surveys or active inquiries by regional offices, periodic meetings with state and local groups, and perhaps by establishing an ongoing, expert advisory committee on service integration that includes state and local representatives. Service integration issues could, in theory, involve any federal departments, but those most likely to be involved are Health and Human Services, Labor, Agriculture, and Housing and Urban Development. Each department might designate specialized staff with responsibility for service integration initiatives and a specific “ombudsperson” with responsibility for generating prompt responses to inquiries about service integration from other agencies.

### **Providing technical assistance**

A step beyond information sharing is the provision of active technical assistance, which also guides stakeholders, including local, state, and federal officials, through the steps necessary to take advantage of the existing opportunities. At the October 2003 forum, many participants agreed that this is an appropriate role for the federal government, although nongovernmental groups play a valuable role. Again, the federal government should not prescribe specific models or intrude into areas of state discretion, but might, for example, help resolve uncertainties about whether an approach acceptable to one agency would also be acceptable to others.

### **Improving agency regulatory coordination**

Differences across programs sometimes result from inconsistent regulatory requirements. It would not be practical to review and revise all current regulations of affected agencies, but it would be possible to review regulations in specifically defined areas, as in the analyses discussed here. A federal regulatory review would seek to identify inconsistencies in definitions, data reporting, administrative, and substantive requirements, and address those inconsistencies that were not required by statute or justified as a matter of policy.

For new regulations, agencies could implement procedures to reduce unnecessary conflicts. For example, part of the process of promulgating any new TANF or WIA regulation might involve expressly considering how the regulation affects TANF-WIA coordination. This ap-

proach could be implemented by any agency now, without any formal change in policies, or could be more formalized through the use of designated agency employees or an advisory committee.

### **Establishing a federal “Interagency Project on Service Integration”**

Federal departments—in particular, the Departments of Health and Human Services, Labor, Agriculture, and Housing and Urban Development—could help support service integration efforts by establishing an ongoing federal “Interagency Project on Service Integration” that would be responsible for reviewing proposed regulations to examine their potential impact on service integration efforts; developing “model” definitions for commonly used terms (such as “administrative costs”) in closely related programs; and working with the Office of Management and Budget to review, modify, and streamline cost allocation requirements.

Another recommendation was that this Interagency Project should receive guidance and input from an “Advisory Committee on Service Integration,” with representatives from state and local governments, researchers, and policy organizations. Such an advisory committee could provide direction about the need for information-sharing, could participate in the review of proposed and current regulations, and could identify priorities for federal assistance in service integration efforts.

### **Conclusion**

This first article from the Lighthouse Project focuses on the extent to which federal laws and regulations actually impede state and local efforts to pursue integrated service models and the implications for federal action.

The legal analysis concluded that in some areas, federal rules can be a barrier to local innovation; but in other areas, federal rules are not the principal barrier, and there is much that states can already do under current law. Many of the most important barriers to advancing service integration are located in local circumstances and politics, not in federal rules. In addition, the analysis suggests that when federal impediments do exist, they are not of equal weight. Some reflect important policy differences

in underlying legislation. Others reflect instances in which there may be little or no strong policy rationale for the difference, but in which differences have resulted simply because different committees or agencies developed different legislative or regulatory provisions over time.

At the same time, we agree that there is much that the federal government could be doing to support and nurture local innovation in this area. We believe that both governments and families would benefit if the federal government pursued these suggestions to support state and local integration efforts. Interested parties are strongly advised to read the original papers to fully review the reforms being recommended. ■

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<sup>1</sup>This article summarizes portions of a review article by Mark Greenberg and Jennifer L. Noyes, “Increasing State and Local Capacity for Cross-Systems Innovation: Assessing Flexibility and Opportunities under Current Law. Implications for Policy and Practice” (August 2004) that provides an overview of the three analyses completed, identifies and discusses their implications, and offers a set of conclusions and proposals for next steps. The specific findings and conclusions of each analysis are included in separate papers: M. Greenberg, E. Parker, and A. Frank, “Integrating TANF and WIA into a Single Workforce System: An Analysis of Legal Issues,” Center for Law and Social Policy, February 2004; S. Parrott and S. Dean, “Aligning Policies and Procedures in Benefit Programs: An Overview of the Opportunities and Challenges Under Current Federal Laws and Regulations,” Center on Budget and Policy Priorities, January 2004; R. Hutson, “Providing Comprehensive, Integrated Social Services to Vulnerable Children and Families: Are There Legal Barriers to Moving Forward?” Center for Law and Social Policy, February 2004. The authors of the review article do not necessarily agree with every aspect of each of the three analyses included in these papers nor endorse all of the findings and conclusions reached.

<sup>2</sup>On performance measurement under WIA, see also the article by Heinrich in this *Focus*, “Performance Management in Federal Employment and Training Programs.”

<sup>3</sup>On this issue, see the article by Sandfort in this *Focus*, “Why Is Human Services Integration So Difficult to Achieve?”

<sup>4</sup>For the full set of recommendations encompassing executive and legislative branches, see Greenberg and Noyes, “Increasing State and Local Capacity for Cross-Systems Innovation.”

# Why is human services integration so difficult to achieve?

Jodi Sandfort

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In the last decade, greater coordination and integration of human service programs have been addressed through legislation, local innovations made possible by radical changes in welfare administration, and pilot studies undertaken with private foundation support. Yet too often, gains have been small in scale or ephemeral, and real integration a goal stubbornly out of reach.

Why are collaborative efforts so difficult to implement and sustain? Failure has commonly been attributed to “politics,” “turf battles,” or “personality conflicts” between managers. Increasingly dissatisfied with these ad hoc, individual-level explanations, researchers have sought more systemic causes, focusing on organizational factors, technology, or resources as possible barriers.

One way to understand systemic impediments to integration is to analyze the work context of front-line staff and their supervisors in human service organizations. Although it is not hard to understand and analyze core organizational technologies in a factory—the raw materials and standardized tasks that convert these materials to products—this analysis is more challenging in human service organizations where the “raw materials” are human beings who may not passively accept an imposed treatment, and the “products” are concepts such as self-sufficiency and family well-being, susceptible to multiple interpretations. However extensive the formalized rules and regulations designed to direct front-line action, the “core technologies” in many such human service organizations cannot be easily standardized. Instead, organizational technology is negotiated afresh in the daily interactions between front-line workers and clients. Under such circumstances, we might assume that the only useful analysis is likely to be very specific, limited to the particular organization being examined. However, much can be learned when we dive deeper into the specifics of a few organizational cases to learn what is analytically generalizable from their conditions.

The research reported here seeks better understanding of why human service integration remains such an elusive goal, and suggests new avenues for managers seeking

greater integration. I conducted a comparative case study using ethnographic methods, including semistructured interviews, focus groups, participant observation, and content analysis of written materials, to examine the local public welfare organization and paired organizations that provided welfare-to-work services in two Michigan counties, “Dutchess” and “Dunn” (county and organization names have been changed). I carried out the research between March 1995 and May 1997, during a period of extensive changes in welfare policy and administration in the state.<sup>1</sup>

## Work and welfare in the Michigan system

In the mid-1990s, Michigan, like many other states, abandoned its education and training strategies for moving welfare recipients into jobs. The state adopted instead a quick labor-force-attachment strategy, “Work First.” Welfare-to-work initiatives had previously been run by the state’s Family Independence Agency (FIA) through contracts with private agencies. Work First, in contrast, was part of a new cabinet-level agency, the Michigan Jobs Commission. The Work First programs were operated by 26 regional Michigan Works! agencies, an assortment of not-for-profit organizations, local governments, and public consortiums that had formerly administered the federal Job Training Partnership Act (JTPA) programs.<sup>22</sup> In 2004, the administrative structure had not changed greatly at the local level. Regional Michigan Works! agencies still receive funding from the state for workforce development activities, including Work First, and contract with private agencies to actually run Work First.

The Michigan Works! system gave maximum flexibility to local agencies to shape their welfare-to-work programs. These were, in consequence, extremely diverse.

To deliver welfare-related employment programs, the decentralized Michigan Works! system was paired with the public welfare agency, the FIA. The FIA is a traditional, statewide bureaucracy in which all county offices operate under the same administrative policy, using the same service technology and paperwork for determining and monitoring eligibility for public assistance.

At the local level, directors of county FIA and local Michigan Works! agencies were obliged, at a minimum, to sign working agreements, but daily coordination between local officers and contractors was left to local

management and staff discretion. In Dutchess County, management matched front-line staff from each agency for case conferences about particular clients. In Dunn County, there was virtually no communication between front-line staff and supervisors in each sector.

In implementing programs, the Michigan welfare and work agencies were mutually dependent. After customers applied for public assistance at the county FIA office, work-centered welfare policies required them to participate in a job search program delivered by the Work First contractor. If they failed to attend, that information was sent to the local FIA office, which made home visits to assess the situation and determine whether to impose sanctions. Customers were then referred again to Work First; sanctions were lifted only if their attendance was documented.

This distribution of tasks created many systemic problems in counties where coordination between the sectors was limited to begin with. For example, the extensive information that customers provided FIA when they first applied was not shared with the Work First agency, which had to gather the information all over again. And when clients were referred back to FIA for noncompliance with Work First requirements, no information was given about the reasons. Did the customer have child care problems, a family illness, or a broken car? Did she refuse to comply at all, or become discouraged after weeks of searching for a job?

Without coordination at this basic level, front-line staff on both sides were constantly obliged to seek information anew from customers. Referral was, moreover, a frequent event. In the 1996 program year, 73 percent of Work First clients in Dutchess County and 63 percent in Dunn County were sent back to FIA because they did not comply with program requirements. Customers who chose to were able to bounce back and forth almost indefinitely between the sectors, from referral to referral. In the end, only a small proportion of noncompliant cases were sanctioned and customers learned that despite all the rhetoric about mandatory participation, the system did not follow through on its threats.

The limited communication between the sectors also meant that staff were rarely able to answer questions about the functioning of the partner agency. When faced with basic questions from customers—"When will my day care application be processed?" "What training and services are offered in Work First?"—front-line staff frequently gave wrong answers or guessed, rather than appear ignorant.

System inefficiencies, ambiguous messages, and outright misinformation to customers persisted in spite of formal policy mandates requiring that both sectors work together in delivering welfare programs. They persisted although the success of both sets of local offices depended on their coordination and collaboration with partner offices.

The reasons that such counterintuitive circumstances developed and were sustained are found in great part in front-line conditions in both FIA and Work First agencies. In each, daily practice created different ways of understanding the external environment and the mandated partner agency, ways that—over time—led to structural impediments that hampered the kind of collaboration that policymakers intended.

## **How front line conditions shape the practice of interagency collaboration**

### **Organizational relationship with the external environment**

As a large public bureaucracy, the FIA was, at the time of this study, fairly insulated from the external environment. Staff operated in a stable framework set by civil service rules and strong unions. Daily work involved mastery of detailed policies, procedures, and documentation. Contact between the FIA and the general public and other human service organizations tended to be adversarial. Social workers from private agencies would call to ask why action had not been taken, why authorization was so slow, or why additional verification was required. Such encounters reinforced the view that outsiders did not understand the technical work of eligibility determination—the rules, formal processes, and complex computer screens that must be navigated—and increased the isolation of FIA staff.

Michigan's governor at the time had sought to increase the privatization of social services and had significantly restructured and reduced the government workforce. In this environment, the private Work First contractors were yet another example of incremental privatization. Moreover, the Michigan Works! system was oriented toward output measures and financial reward. FIA staff found the new business orientation both unfamiliar and distasteful and many felt that local programs were more interested in profit than in service to customers.

In contrast, the Work First agencies had permeable boundaries with other organizations. The Michigan Works! system was (and still is) based on performance monitoring: how many clients find employment, how many retain jobs for 90 days. Because Work First was operated by diverse contractors that included schools, private nonprofits, and for-profit agencies, staff spent their days interacting with colleagues in a host of diverse social welfare programs outside their own organizations—engaging clients in job search, assessing the needs of local employers, receiving referrals from the FIA.

Staff of small, contracted organizations expect to respond rapidly to a customer's needs, particularly if the customer is making a good faith effort. Staff in programs dedicated to helping people leave welfare behind will provide rides

to job interviews or help them find professional clothes, sometimes going far beyond their job descriptions. In the view of the FIA, standardized processes helped guarantee more equitable treatment for all clients. But Work First staff interpreted strict adherence to the rules in the context of their own organizational norms, which they set in sharp contrast to the norms of the “rule-bound” public welfare bureaucracy.

### **A history of misunderstandings**

In both Dutchess and Dunn counties, the Michigan Works! agencies had previously been FIA contractors through the federal JTPA programs. The county FIA offices had been displeased with the quality of these services; they believed the job agencies worked only with highly functional clients, provided incomplete documentation of progress, and in general were poorly managed. Their initial skepticism about the competence of agencies with which they were now obliged to work affected their interactions with those agencies.

The view of the Work First agencies that FIA was a resistant, uncooperative partner emerged very early. Rather than interpreting the increased standardization of forms and procedures that FIA sought as a natural stage in implementing a new program, Work First employees saw it as an unnecessary burden. When FIA referred cases with incomplete or inaccurate information, Work First staff found they had to spend considerable time “doing FIA’s work.” FIA rarely enforced sanctions for uncompliant participants, preferring to “work with them.” It was thus more difficult for Work First agencies to achieve the high participation rates by which they were evaluated.

In Dunn County, the lack of contact between front-line staff meant that originally unfavorable impressions were unlikely to change. In Dutchess County, where staff from both agencies met monthly, regular communication did not improve but rather intensified the negative views each sector held of the other. Disagreements between the respective program managers about processing rules, staff capabilities, or customers’ circumstances sometimes escalated into shouting matches.

In a system with little open communication between front-line staff, customers are important sources of information about the effectiveness of partner organizations. In both counties, anecdotes of inefficient or misguided treatment by the partner agencies were repeated throughout the FIA agencies. Work First staff members, for their part, saw FIA staff as unwilling to exercise reasonable discretion, reluctant to bend the rules even in the best interest of the participant. In two of the three organizations I examined, nearly one-third of Work First staff had themselves been on public assistance. Although such experience bolstered the credibility of staff with partici-

pants, it also informed the agency’s collective understanding of their FIA counterparts as cold, uncaring, and disrespectful toward applicants.

### **Collective beliefs and collaborative actions**

When organizations are mandated to collaborate, the collective beliefs of front-line staff become critical to service delivery. Each time staff interact with their counterparts in the partner agency, they must navigate these differing views and points of contention. On an existing foundation of skepticism and mistrust, such negotiations are especially challenging.

The difficulties of these social processes were heightened by the interdependence of the two sectors in delivering services. FIA was responsible for providing child care subsidies while customers participated in the Work First program. Within any large bureaucracy, it takes time to process applications, and sometimes additional documentation is required before a subsidy can be paid. Faced with constant questions from their customers about the source of the delay, Work First staff would call FIA. FIA workers, believing that the Work First organization did not understand the caseload or documentation tasks associated with opening a day care case, had little incentive to respond quickly, given other pressing demands on their time. Work First staff who, sometimes after several tries, finally got through to FIA workers were unlikely to contain their frustration.

To the FIA worker who was on the receiving end of an exasperated phone call, the interaction was likely further to confirm the unreasonableness of the Work First staff. Said one FIA supervisor (who by virtue of his position had little direct contact with Work First): “I cannot think of one case that I’ve come across where Work First put anyone to work. Our clientele have nothing good to say. There has been a terrible lack of communication.”

Instances of successful collaboration between the agencies tended to be seen by staff in both sectors as exceptions, testimony to the existence of “a few good workers” in an otherwise inefficient or unresponsive organization. It was more common for staff in each organization to use the other as a scapegoat, particularly when confronted with a hostile client. At a Work First orientation for applicants, staff in one program regularly stressed the differences: “We are not here to hurt you, but to help you. You must comply with our requirements or we will refer you back [to FIA]. But we can’t cut your grant. We aren’t FIA.”

Thus the framework of beliefs that front-line staff collectively generate about organizations in their environment can significantly impede collaboration. Initiatives undertaken with the best of intentions can founder on mutual mistrust and exasperation.

## The structural dimensions of front-line collaboration

In spite of dramatically different organizational conditions and service technologies, the front-line staff in both the public bureaucracy and private contractors I examined followed very similar routes when forming their collective judgment about partner organizations. They drew on the same sources of evidence—past relations, daily experiences, clients' stories. Through their experiences and those of their colleagues, they acquired a common set of opinions, shared and often tacit assumptions, and practices that seemed merely “commonsense.”<sup>3</sup>

These collective beliefs about partner agencies created the framework within which staff interpreted events and responded, further reinforcing the shared organizational understanding of the legitimacy and effectiveness of the partner organization. Because the common view of the partner agency was negative, there was little reason for staff or management to wish to improve communication or the efficiency of referrals, and there were ready rationales to justify inaction or hostile responses. Thus shared beliefs in turn affected service provision.

The similarity of the process observed among these public and private agencies suggests that we may be able to generalize these patterns to front-line collaboration in other human service organizations. A body of theoretical and empirical research developed over the last 15 years gives support to the belief that it is indeed possible to do so.<sup>4</sup> Organizations, according to this view, do not consist merely of an exoskeleton generated from administrative charts and written rules. Instead, the social structures that guide people's actions, help them to develop appropriate routines, justify inaction, or interpret unexpected events are internal and dynamic, evolving within the organization itself, largely without conscious intent. In front-line welfare offices, these underlying social structural processes emerge in large part from the nature of daily street-level practice.

Because structural boundaries define what is rational and justifiable within the organizational context, they curtail or constrain some actions. In Michigan, the front-line workers in both sectors were handicapped or inconvenienced by a poorly coordinated system every day, yet felt powerless to change it; in their view, problems with “the system” transcended them as individuals. Yet in fact they were active participants in creating “the system.”

This research suggests, further, that the front-line structures in human service agencies may be quite rigid. For the agency staff, the knowledge they have developed from their daily collective experience may, in other words, have greater legitimacy than new management initiatives or grandiose plans for reform that emerge from abstract ideals and political motivations. It is unlikely

that the social structures that shape front-line actions can be altered by exhortation or vague initiatives promoting communication and collaboration. We need to explore further how such structures are created and sustained, and, importantly, how they might be changed. But in the interim there are some lessons that we may draw for better coordination of human service organizations.

For one, if we persist in believing that impediments to human service agency collaboration are individual—management turf issues or personality conflicts—we are likely to consider only interventions at the individual level. Agencies may sponsor executive meetings and planning sessions or put in place formal agreements for staff collocation, service referral, and sharing of information. Too often, these initiatives fail to make it into front-line practices.

A structural analysis, in contrast, directs managers to examine the deeper social processes that underpin collaboration, to pay attention to the collective experiences that staff share informally with each other. Such a perspective may enable managers to look for the points of leverage that exist for change within the system, rather than mandating collaboration on a resistant front-line staff.

The necessary leverage may be found at small, well-focused points within the organization. Managers have little control over staff experience or customers' stories, but they can use staff meetings, forums, and focus groups to elicit the prevailing beliefs about a potential partner organization and so begin to understand how past relations will likely affect future initiatives. Such an approach requires a considerable commitment of time and resources, but this research suggests that managers will be able to accomplish better, more integrated service delivery only by understanding how to shape the deeper structures in human service organizations that determine or constrain action. ■

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<sup>1</sup>This research is reported at length in J. Sandfort, “The Structural Impediments to Human Service Collaboration: Examining Welfare Reform at the Front Lines,” *Social Service Review* 73, no. 3 (1999): 324–39. IRP thanks the University of Chicago Press for permission to summarize materials in *Social Science Review*. The research is further discussed in J. Sandfort, “Exploring the Structuration of Technology within Human Service Organizations,” *Administration and Society* 34, no. 6 (2003): 605–31.

<sup>2</sup>In 2004, the administrative structure had not changed greatly at the local level. Regional Michigan Works! agencies still receive funding from the state for workforce development activities, including Work First, and contract with private agencies to actually run Work First. Since the late 1990s, communication and collaboration between FIA offices and Michigan Works! staff as well as local FIA offices and staff from the Work First contractors have increased somewhat. At the state level, the Michigan Jobs Commission was split into two different agencies, and Work First was placed under the purview of the Department of Career Development (DCD). After a change of administration

## Postdoctoral Fellowships, 2005–2006 Program on Poverty and Public Policy

The University of Michigan's Research and Training Program on Poverty and Public Policy offers one- and two-year postdoctoral fellowships to American scholars who are members of groups that are underrepresented in the social sciences (e.g. members of racial and ethnic minority groups, individuals from socioeconomically disadvantaged backgrounds, etc.). Fellows will conduct their own research on a poverty-related topic and participate in a year-long seminar under the direction of Sheldon Danziger, Henry J. Meyer Collegiate Professor of Public Policy and Co-Director, National Poverty Center, and Mary Corcoran, Professor of Public Policy and Political Science. Funds are provided by the Ford Foundation. Applicants must have completed their Ph.D. degree by August 31, 2005. Preference is given to those who have received their degree after 2000. Application deadline is January 13, 2005. Contact: Program on Poverty and Public Policy, 1015 E. Huron, University of Michigan, Ann Arbor, MI 48104-1689. Applications are available on the web: <http://www.fordschool.umich.edu/research/poverty/fellowship.htm>

## IRP Visiting Scholars Program, 2004-2005

IRP invites applications from social science scholars from underrepresented racial and ethnic groups to visit IRP, interact with its faculty in residence, and become acquainted with the staff and resources of the Institute. The invitation extends (but is not restricted) to those who are in the early years of their academic careers. The intent of the program, which is supported by the University of Wisconsin–Madison, is to enhance the research interests and resources available to visitors, to foster interaction between resident IRP affiliates and a diverse set of scholars, and to broaden the corps of poverty researchers. Visits of one to two weeks duration by three scholars can be supported during either fall or spring semester of the academic year 2004–05. Details of the program and application information are available on the IRP Web site, <http://www.ssc.wisc.edu/irp/mscholars/mshome.htm>. The deadline for applications is October 15, 2004.

in 2002, DCD was moved into the new Department of Labor and Economic Growth.

<sup>3</sup>P. Manning, "Organizational Work: Structure of Environments," *British Journal of Sociology* 33, no. 1 (1982): 122: "To some degree, organizations define, structure and shape the environment in which they are operating. . . . organizational members are socialized into organizational motives, contingencies, and team work; . . . they absorb tacitly shared assumptions and emergent definitions of contingent situations; and they learn the principles, working rules and practices thought to be the commonsense basis of the occupation."

<sup>4</sup>A. Giddens, *The Constitution of Society: Outline of a Theory of Structuration* (Berkeley: University of California Press, 1984); W. Sewell, "A Theory of Structure: Duality, Agency, and Transformation," *American Journal of Sociology* 98, no. 1 (July 1992): 1–29.

## IRP Visitors Program

IRP has initiated a broadly targeted Visitors Program. Faculty, researchers, and policy analysts are invited to apply to visit the Institute for Research on Poverty as part of this new program. The program offers visitors office space, access to computers, and the opportunity to interact with IRP affiliates and other scholars on campus and to participate in campus events. Access to the data resources housed at IRP may also be arranged. Limited funds for travel expenses are available; other expenses would be supported by the visitors. This program particularly encourages visits by researchers located in the Midwest or those with special interest in topics having a Midwest focus. For further information, please contact Betty Evanson at [evanson@ssc.wisc.edu](mailto:evanson@ssc.wisc.edu).

## The consequences of a criminal record for employment

At the end of 2001, over 5.6 million Americans—nearly 1 in 40 adults—were in prison or had served time there. In 2002, almost 4 million other Americans were under supervision in the community—generally probation. About 1 in 5 of these were in Texas and California.<sup>1</sup>

Not only is the number of Americans with criminal records large and still increasing, but the racial distribution of this population is also highly skewed. In 2001, 16 percent of black males and 7.7 percent of Hispanics, but only 3.5 percent of white males, were current and former inmates. Thus the consequence of incarceration for employment, especially for minority groups, is of major policy importance. We know that arrest and imprisonment are associated with lower employment and earnings, perhaps 10–30 percent lower than for comparable individuals with no criminal record, but the reasons are not self-evident. Do the characteristics that send men to prison also make them less acceptable employees? Or are employers simply less willing to hire men with criminal records?

The two articles that follow examine aspects of these issues. Economist Harry Holzer and his colleagues draw evidence from a recent survey of employers in Los Angeles, sociologist Devah Pager from an experimental audit study of job applications in Milwaukee.

<sup>1</sup>T. P. Bonczar, *Prevalence of Imprisonment in the U.S. Population, 1974–2001*, Bureau of Justice Statistics Special Report, NCJ 197976, August 2003, and L. E. Glaze, *Probation and Parole in the United States, 2002*, Bureau of Justice Statistics Bulletin, NCJ 201135, August 2003.

## How willing are employers to hire ex-offenders?

Harry J. Holzer, Steven Raphael, and Michael A. Stoll

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Harry J. Holzer is Professor of Public Policy, Georgetown University, and an IRP affiliate; Steven Raphael is Associate Professor in the Goldman School of Public Policy, University of California, Berkeley; and Michael A. Stoll is Associate Professor in the School of Public Policy and Social Research, University of California, Los Angeles, and an IRP affiliate.

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California houses a disproportionate share of the nation's recently released prisoners, and in 2001, over a third of the prisoners released in the state returned to Los Angeles. The successful reintegration of this large group into society depends in part on the likelihood that they will find jobs. Using data from the early 1990s, we found that employers' willingness to hire ex-offenders was very limited, even relative to other groups of disadvantaged workers such as welfare recipients or the long-term unemployed. More troubling, employers who did not formally check criminal backgrounds tended to discriminate statistically against applicants who were black or had weak employment records.<sup>1</sup>

This earlier work left some unanswered questions. Does willingness to hire ex-offenders differ among employment sectors or by the size of the firm? Do employers who express willingness to hire ex-offenders actually do so?

How important is background checking and how do employers go about it?

We examined these and related questions through a survey of over 600 employers in Los Angeles County, administered from May to November 2001.<sup>2</sup> When we began the survey, the Los Angeles region was registering some of the lowest unemployment rates in 30 years (around 5 percent) and appeared largely to have escaped the recession afflicting the rest of the country. While the survey was in the field, the Los Angeles economy began to weaken, particularly in the manufacturing sector (by November, the unemployment rate stood at 6.2 percent).<sup>3</sup>

The firms we surveyed were drawn at random from a sample of firms previously stratified by establishment size. We gathered extensive information on their characteristics: industry, presence of collective bargaining, minority ownership status, and the racial composition of the applicants. We also asked about the most recent job filled that did not require a college degree (what, for example, were its tasks and skill requirements?), and about the ways in which employers screened applicants and hired for that job. We asked about willingness to hire ex-offenders for this position and whether employers had in the past year hired anyone with a criminal record. (We defined a "criminal record" as a previous conviction for a felony, whether or not the person had served time in prison.) We sought to determine the likelihood that employers would know if they had hired someone with a criminal record, and the extent to which they made use of criminal background checks.



## Employers' willingness to hire

In answer to our survey, over 40 percent of employers indicated that they would “probably” or “definitely” not be willing to hire an applicant with a criminal record for a job not requiring a college degree (see Figure 1). Comparisons with data from 1992–94 suggest little change in attitude over this decade, despite a much tighter labor market (in 1994, unemployment in the Los Angeles region was almost double the rate in 2001). In marked contrast, over 90 percent of employers indicated that they would definitely or probably hire disadvantaged workers from other groups, such as former or current welfare recipients or workers with a GED but no high school diploma.

The continued reluctance to hire ex-offenders may reflect problems in both the supply of labor and the demand for it. The incarcerated do not generally accumulate work experience and the skills they have may erode while they are serving time. Their ties to legitimate employers and to labor market networks in general are likely to be severed by arrest and imprisonment. That employers' unwillingness to hire them persisted, even in a tight labor market, perhaps reflects steady shrinkage of the pool of manufacturing and blue-collar jobs, such as machine operators and unskilled laborers, for which less educated ex-offenders were more likely to be qualified.

For employers, a criminal history may signal an untrustworthy employee who may break rules, steal, or deal poorly with customers. Employers' reluctance to hire such individuals may be prompted by law or by fear of litigation. Some occupations, such as those involving contact with children, are legally closed to people with felony convictions. And employers may be legally liable for the crimes committed by employees and so be wary of hiring those who already have a record.

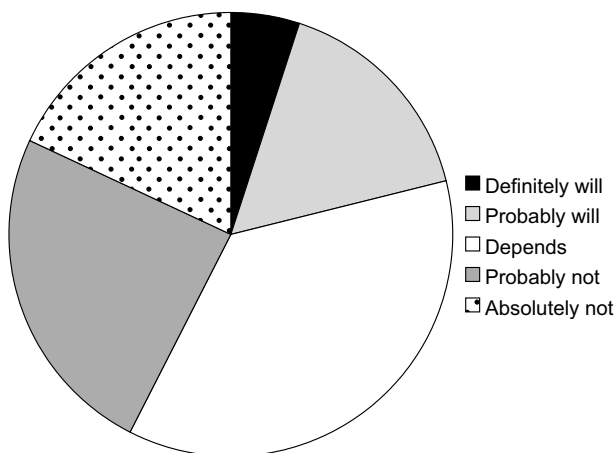


Figure 1. Employers' willingness to hire ex-offenders.

Source: Authors' survey of Los Angeles County employers, 2001.

Does the measure of employers' reported willingness to hire ex-offenders reflect their actual behavior? We believe that it does. In the preceding year, for example, about 20 percent of employers in the sample claimed they had hired at least one ex-offender. Among employers willing to hire an ex-offender, around 60 percent said they had hired at least one ex-offender in the past year; among employers openly unwilling to hire, only 7 percent had hired an ex-offender. And by far the greater proportion of the firms hiring ex-offenders noted that those they hired were not fresh from prison, but had work experience after they were released. The large percentage who answered “It depends” suggests that a host of personal factors—how recently the person was released, the nature of the offense, and work experience before and after prison—entered into the decision whether to hire.

## Employer attitudes and firm characteristics

Which employers were most likely to hire ex-offenders? Table 1 explores firm characteristics, such as the industrial sector, size of the firm, vacancy rates, and percentage of unskilled jobs, in the context of the firm's willingness to hire those with criminal records. Several clear patterns emerge. First, the firms most likely to hire ex-offenders were those in the manufacturing, construction, and transportation sectors, that is, firms that likely have fewer jobs requiring customer contact. They were also disproportionately those with large fractions of unskilled jobs and those that hired over 20 workers in the past year (a rate that reflects firm size and turnover of employees). Service industries, in contrast, were by far the least willing.

Firms that said they always checked also were less willing to accept ex-offenders; not-for-profit firms were less willing to hire ex-offenders but minority firms were more so.

We also examined the characteristics of applicants that might affect hiring. Blacks and Hispanics are overrepresented among the ex-offender population, and applicants from these groups will likely include higher fractions with criminal records. Black males and Hispanics did not apply to firms in our sample that were willing to hire ex-offenders in larger numbers than they applied to firms expressing unwillingness to hire ex-offenders (Table 2). However, both groups applied in significantly larger numbers to firms that had actually hired ex-offenders over the past year.

We asked specifically whether employers were willing to hire those newly released and without work experience, and whether their willingness depended in part on the offense committed. The responses were in some ways predictable. Employers were strongly averse to hiring those imprisoned for violent offenses (90 percent would be unwilling to hire such individuals), and not enthusias-

**Table 1**  
Average Characteristics of Firms According to Employers' Expressed Willingness to Hire Ex-Offenders

Characteristic	% of All Firms	% Willing to Accept	% for Whom It Depends on Crime	% Unwilling to Accept
<b>Industry</b>				
Manufacturing	17.1	23.0	14.2	16.2
Retail	18.6	21.3	19.4	16.6
Service	43.5	34.4	43.6	47.0
Construction	3.4	4.9	2.8	3.6
Transport, Communications and Utilities	5.3	5.7	8.5	2.8
<b>Firm Size</b>				
Small (1–19 employees)	17.2	19.0	17.6	17.4
Medium (20–99 employees)	42.2	39.7	37.3	48.8
Large (100+ employees)	40.6	41.3	45.1	33.9
Avg. Vacancy Rate	3.0	3.9	2.3	3.3
<b>Firms with</b>				
0% jobs vacant	56.0	54.5	54.2	57.7
1–4% jobs vacant	23.5	23.1	27.6	19.5
4+% jobs vacant	20.5	22.3	18.2	22.8
<b>Unskilled Jobs in Firm</b>				
0%	33.7	38.9	33.0	30.7
1–20%	46.0	40.2	46.0	49.4
20+ %	18.9	18.9	22.7	17.0
<b>Firms Hiring in Past Year</b>				
0–5 new hires	35.1	36.8	44.8	26.3
6–19 new hires	37.1	29.8	38.3	40.7
20–39 new hires	34.5	36.0	29.9	37.3
>40 new hires	28.3	34.2	31.8	22.0
Always Check Criminal Background (%)	44.4	28.7	53.1	43.3
Collective Bargaining (%)	24.0	20.0	23.2	26.3
Not-for-Profit (%)	21.3	13.1	21.3	26.3
Minority-Owned (%)	21.6	29.5	17.5	21.5

**Source:** Authors' survey of Los Angeles County employers, May–November 2001.

tic about hiring the recently released without work experience (only 35 percent of employers would offer a job to someone in this category). They were much more relaxed about those convicted of property or drug charges—almost half would be willing to hire someone convicted of a drug offense—suggesting that the potential employer demand for nonviolent offenders may be greater than previously thought. This is a mildly encouraging finding. Over the 1990s, most of the dramatic rise in the prison population was driven by increases in drug-related offenses, disproportionately involving young black men.

### Use of criminal background checks

Criminal background checks are one mechanism through which employers access information about the criminal histories of applicants, and for us they constituted an indirect means of gauging employers' aversion to hiring ex-offenders. Between 1992–94 and 2001, the proportion of employers claiming that they always made a criminal background check rose from 32 to 44 percent, and the proportion who said they never checked fell from 51 to 38

percent.<sup>4</sup> The increase was especially large in retail trade, in manufacturing, in firms with over a hundred employees, and in the suburbs. Small firms remained the least likely to check. Large establishments, not-for-profits, firms with collective bargaining agreements, and firms with higher percentages of black applicants were among those more likely to check. But most of the increase in checking was driven by service firms, where, of course, most current and future employment growth will occur.

Over 70 percent of employers who checked for criminal background did so before hiring, that is, before most ex-offenders had any chance to demonstrate their ability to successfully hold the jobs for which they were applying. This practice likely reinforces the barriers to employment inherent in a criminal record.

The extent of background checking is in part driven by state law, which is often unclear on the subject; at least half of the employers in our sample believed that they were legally required to conduct a criminal background check for the last noncollege position they filled. But it may also reflect the increased availability of low-cost

**Table 2**  
**Job Applications from Black and Hispanic Adults in Previous Year**

Firms	Black Men	Black Women	Hispanics
All	8.9	7.3	33.8
Willing to Accept Ex-Offenders	9.6	7.4	37.5
Depends on Crime	9.5	7.8	34.5
Unwilling to Accept Ex-Offenders	9.1	7.2	33.4
Hired Ex-Offenders in Last Year	14.0	7.6	45.2
Did Not Hire Ex-Offenders in Last Year	7.7	7.1	31.1

**Source:** Authors' survey of Los Angeles County employers, May–November 2001.

checking services in the private market over the 1990s. Nearly 50 percent of Los Angeles employers in our 2001 survey used a private service to check criminal backgrounds rather than a public criminal justice agency.

That fact in itself raises questions. How accurate and complete is the information provided by these services, many of which are Internet-based? And does the ready access of employers to such information necessarily work to the disadvantage of the applicant, as advocates for ex-offenders have claimed? Is it possible that the provision of *more* information would actually increase the willingness to hire ex-offenders and diminish the likelihood of statistical discrimination based on race or status? Indeed, some organizations that act as labor market intermediaries for ex-offenders favor the provision of such information to employers, on precisely those grounds.<sup>5</sup>

Our survey suggests that employers are much less averse to hiring people convicted of certain kinds of offenses than of others, and that they take post-prison work experience into account in hiring decisions. Thus there may be potential returns to public policies that provide transitional jobs to those leaving prison. And because so many employers now check backgrounds and refuse on legal grounds to hire ex-offenders, review of these legal barriers, particularly of laws that prevent hiring into specific occupations and industries, may be in order. ■

<sup>5</sup>These findings are reported in three articles by H. Holzer, S. Raphael, and M. Stoll, "How Do Crime and Incarceration Affect the Employment Prospects of Less-Educated Black Men?" paper prepared for the Extending Opportunities Conference, Washington, DC, 2002; "Perceived Criminality, Background Checks, and the Racial Hiring Practices of Employers," IRP Discussion Paper 1254-02, University of Wisconsin–Madison, 2002; and "Will Employers Hire Ex-Offenders?"

Employer Perceptions, Background Checks, and Their Determinants," in *Imprisoning America: The Social Effects of Mass Incarceration*, ed. M. Pattillo, D. Weiman, and B. Western (New York: Russell Sage, 2004).

<sup>2</sup>For a longer version, see H. Holzer, S. Raphael, and M. Stoll, "Employer Demand for Ex-Offenders: Recent Evidence from Los Angeles," IRP Discussion Paper 1268–03, University of Wisconsin–Madison, 2003.

<sup>3</sup>Unemployment rates for the Los Angeles region from the Bureau of Labor Statistics Web site, <<http://data.bls.gov/cgi-bin/surveymost>>, extracted April 30, 2004.

<sup>4</sup>About 60 percent of our surveys were administered before the terrorist attacks of September 2001, the remainder thereafter. Before September 11, about 12 percent of employers said they would consider hiring ex-offenders. After the attacks, this percentage halved, and a slightly higher fraction indicated that they always checked the criminal backgrounds of applicants. But given that the percentage of employers always checking for criminal background was rising before the attacks, the effects of the attacks remain questionable.

<sup>5</sup>For example, the Safer Foundation in Chicago <<http://www.saferfund.org/>> specifically requests permission from ex-offenders to release such information to potential employers.

# The mark of a criminal record

By Devah Pager

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Devah Pager is Assistant Professor of Sociology at Princeton University.

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Among those recently released from prison, nearly two-thirds will be charged with new crimes and 40 percent will return to prison within three years. Those who are not reincarcerated have poorer employment and incomes than those without criminal records. But there is strong disagreement over the reasons that ex-offenders do so poorly after release. Does incarceration itself actually lead to lower employment and income? Or do the poor outcomes of ex-offenders merely arise from the environmental and personal histories that sent them to prison in the first place—the broken families, the poor neighborhoods, the lack of education and absence of legitimate opportunities, the individual tendencies toward violence or addiction?<sup>1</sup>

Survey research has consistently shown that incarceration is linked to lower employment and income. Many hypotheses have been proposed for this relationship: the labeling effects of criminal stigma, the disruption of social and family networks, the loss of human capital, institutional trauma, and legal barriers to employment. It is, however, difficult, using survey data, to determine which of these mechanisms is at work and whether, for any given mechanism, the results are due to the effect of imprisonment or to preexisting characteristics of people who are convicted. A further issue, given racial disparities in imprisonment rates, is whether the effect of a criminal record is more severe for African American than it is for white ex-offenders.

In the research reported here I sought to answer three primary questions about the mechanisms driving the relationship between imprisonment and employment.<sup>2</sup> First, to what extent do employers use information about criminal histories to make hiring decisions? Second, does race, by itself, remain a major barrier to employment? Its continued significance has been questioned in recent policy debates.<sup>3</sup> Third, does the effect of a criminal record differ for black and white applicants? Given that many Americans hold strong and persistent views associating race and crime, does a criminal record trigger a more negative response for African American than for white applicants?

## The employment audit

Just as a college degree may serve as a positive credential for those seeking employment, a prison term attaches a

“negative credential” to individuals, certifying them in ways that may qualify them for discrimination or social exclusion. Using an experimental audit design, I have been able to isolate that institutional effect, holding constant many background and personal characteristics that otherwise make it very difficult to disentangle cause and effect.<sup>4</sup>

In an employment audit, matched pairs of individuals (“testers”) apply for real job openings to see whether employers respond differently to applicants on the basis of selected characteristics. The methodology combines experimental methods with real-life contexts. It is particularly valuable for those with an interest in discrimination, and has primarily been used to study characteristics such as race, gender, and age that are protected under the Civil Rights Act.

Several states, including Wisconsin, have expanded fair employment legislation to protect individuals with criminal records from discrimination by employers, because of their concern about the consequences of the rapid expansion and the skewed racial and ethnic composition of the ex-offender population over the last three decades. Under this legislation, employers are warned that past crimes may be taken into account only if they closely relate to the specific duties required by the job—as, for example, if a convicted embezzler applies for a book-keeping position, or a sex offender for a job at a day care center. Because of the Wisconsin legislation barring discrimination on the basis of a criminal record, we might expect circumstances to be, if anything, more favorable to the employment of ex-offenders than in states without legal protections.

This audit was conducted between June and December, 2001, in Milwaukee, Wisconsin, which in population, size, racial composition, and employment rate is typical of many major American cities. At the time, the local economy was moderately strong and unemployment rates ranged between 4 and 5.2 percent.<sup>5</sup>

I used two audit teams of 23-year-old male college students, one consisting of two African Americans and the other of two whites. All were bright and articulate, with appealing styles of self-presentation. Characteristics that were not already identical, such as education and work experience, were made to appear identical for the purposes of the audit. Within each team, one auditor was randomly assigned a “criminal record” for the first week; then week by week auditors took turns playing the ex-offender role. The “criminal record” consisted of a non-violent, felony drug conviction (possession of cocaine with intent to distribute). If the employment application did not request information about previous convictions,

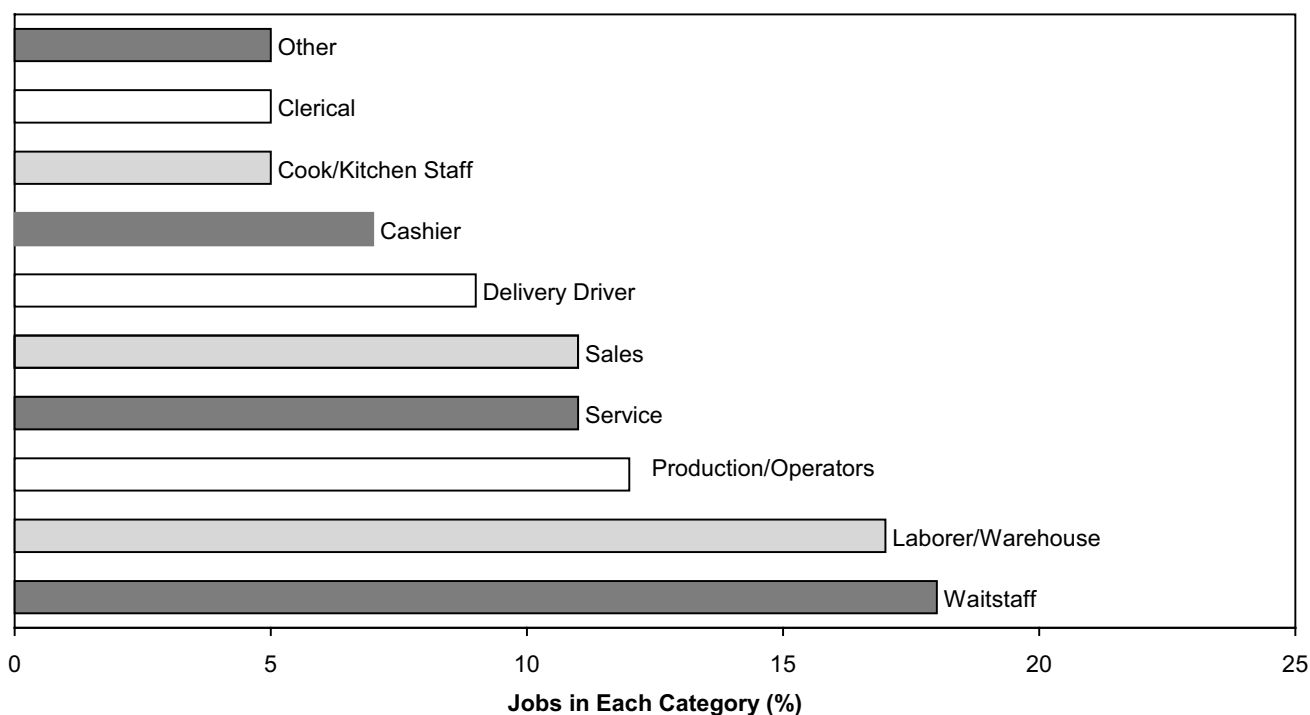


Figure 1. The jobs in the Milwaukee audit sample.

ways were found to include that information—for example, by reporting work experience in the correctional facility and citing a parole officer as a reference.

The audit teams applied to separate sets of jobs drawn from the Sunday classified section of the city’s major daily newspaper, the *Milwaukee Journal Sentinel*, and from Jobnet, a state-sponsored Web site for employment listings. Since nearly 90 percent of state prisoners have no more than a high school diploma, the job openings chosen were for entry-level positions requiring no previous experience and no education beyond high school (see Figure 1). All openings were within 25 miles of downtown Milwaukee; a majority were in the suburbs or surrounding counties.<sup>6</sup> The survey audited 350 employers, 150 by the white audit team and 200 by the black team.

The audit study focused only on the first stage in the employment process—the stage most likely to be affected by the barrier of a criminal record. Auditors visited the employers, filled out applications, and went as far as they could during that first interview. They did not return for a second visit. Thus our critical variable of interest was the proportion of cases in which employers called the applicant after the first visit. Reference checks were included as an outcome, in the belief that it would be important to have a former employer or parole officer vouch for applicants with criminal records. As it turned out, employers paid virtually no attention to references; only 4 out of 350 actually checked.

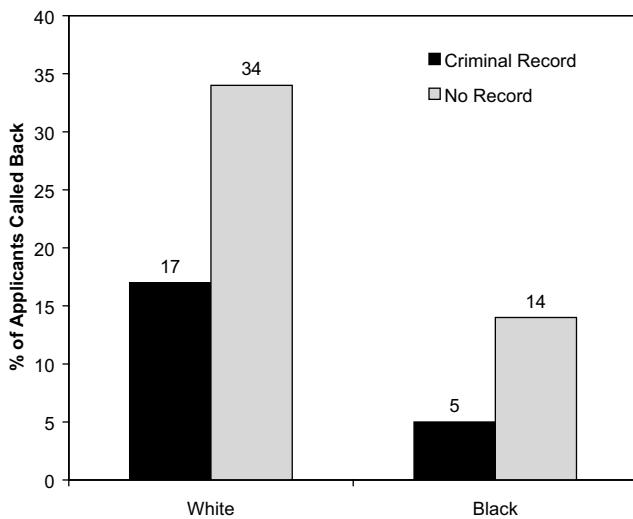
Even though employers are not allowed to use criminal background information to make hiring decisions, about three-quarters of employers in this sample explicitly asked if the applicant had ever been convicted of a crime and, if so, for details. A much smaller proportion, just over a quarter, indicated that they would perform a background check (employers are not required to say if they intend to, and this doubtless represents a lower-bound estimate). The use of background checks by employers has been increasingly steadily, however, because of greater ease of access to criminal history information and growing concerns over security.

To what extent are applicants with criminal backgrounds dropped at the beginning of the process? For answers, we turn to the results of the audit.

### The effects of a criminal record and race on employment

Given that all testers presented nearly identical credentials, the different responses they encountered can be attributed fully to the effects of race and criminal background.

The results in Figure 2 suggest that a criminal record has severe effects. Among whites, applicants with criminal records were only half as likely to be called back as equally qualified applicants with no criminal record.



**Figure 2. The effect of a criminal record in the Milwaukee audit sample.**

The second question involved the significance of race, by itself, in shaping black men’s employment prospects, and here too the audit offered an unequivocal answer (Figure 2). The effect of race was very large, equal to or greater than the effect of a criminal record. Only 14 percent of black men without criminal records were called back, a proportion equal to or less than even than the number of whites *with* a criminal background. The magnitude of the race effect found here corresponds very closely to effects found in previous audit studies directly measuring racial discrimination.<sup>7</sup> Since 1994, when the last major audit was reported, very little has changed in the reaction of employers to minority applicants, at least in Milwaukee.

In addition to the strong independent effects of race and criminal record, evidence suggests that the combination of the two may intensify the negative effects: black ex-offenders are one-third as likely to be called as black applicants without a criminal record. It seems that employers, already reluctant to hire blacks, are even more wary of those with proven criminal involvement. None of our white testers was asked about a criminal record before submitting his application, yet on three occasions black testers were questioned. Our testers were bright, articulate young men, yet the cursory review that entry-level applicants receive leaves little room for these qualities to be noticed.

In some cases, testers reported that employers’ levels of responsiveness changed dramatically once they had glanced down at the criminal record questions. Employers seemed to use the information as a screening mechanism, without probing further into the context or complexities of the applicant’s situation. But in a few circumstances employers expressed a preference for workers who had recently been released from prison be-

cause (in one case) “they tend to be more motivated and are more likely to be hard workers” and (in the case of a janitorial job) the job “involved a great deal of dirty work.” Despite these cases, the vast majority of employers were reluctant to take a chance on applicants with a criminal record.

The evidence from this audit suggests that the criminal justice system is not a peripheral institution in the lives of young disadvantaged men. It has become a dominant presence, playing a key role in sorting and stratifying labor market opportunities for such men. And employment is only one of the domains affected by incarceration. Further research is needed to understand its effects on housing, family formation, and political participation, among others, before we can more fully understand its collateral consequences for social and economic inequality. ■

<sup>1</sup>For discussions of the effect of incarceration, see, e.g., J. Grogger, “The Effect of Arrests on the Employment and Earnings of Young Men,” *Quarterly Journal of Economics* 110 (1995): 51–72; B. Western, “The Impact of Incarceration on Wage Mobility and Inequality,” *American Sociological Review* 67, no. 4 (2002): 526–46.

<sup>2</sup>This research is reported in D. Pager, “The Mark of a Criminal Record,” *American Journal of Sociology* 108, no. 5 (2003): 937–75. IRP thanks the University of Chicago Press for permission to summarize the article.

<sup>3</sup>See, for example, D. Neal and W. Johnson, “The Role of Pre-market Factors in Black-White Wage Differences,” *Journal of Political Economy* 104, no. 5 (1996): 869–95; S. Steele, *The Content of Our Character: A New Vision of Race in America* (New York: Harper Perennial, 1991).

<sup>4</sup>The method of audit studies was pioneered in the 1970s with a series of housing audits conducted by the Department of Housing and Urban Development, and was modified and applied to employment by researchers at the Urban Institute in the early 1990s. M. Turner, M. Fix, and R. Struyk, *Opportunities Denied, Opportunities Diminished: Racial Discrimination in Hiring* (Washington, DC: Urban Institute Press, 1991).

<sup>5</sup>Bureau of Labor Statistics, Local Area Unemployment Statistics. Last accessed March 2003. <<http://www.bls.gov/lau/home.htm>>.

<sup>6</sup>Over 90 percent of recent, entry-level job openings in Milwaukee were located in the outlying counties and suburbs, and only 4 percent in the central city. J. Pawasarat and L. Quinn, “Survey of Job Openings in the Milwaukee Metropolitan Area: Week of May 15, 2000,” Employment and Training Institute Report, University of Wisconsin–Milwaukee, 2000.

<sup>7</sup>M. Bendick, Jr., C. Jackson, and V. Reinoso, “Measuring Employment Discrimination through Controlled Experiments,” *Review of Black Political Economy* 23 (1994): 25–48.

# IRP Visiting Scholars, Spring 2004

In 2004, young researchers selected as IRP Visiting Scholars came to UW–Madison for one-week visits during which they gave seminars, worked on their own projects, and conferred with an IRP adviser and other faculty affiliates. Here they give brief reports about the research projects that their seminars presented.

## The spatial distribution of neighborhood employment: San Francisco, 1940–1970

Jacqueline Olvera

Our understanding of neighborhood employment patterns has been shaped largely by research on northeastern and midwestern cities in the United States since the 1970s. Influenced by William Julius Wilson's research on joblessness and poverty in Chicago, many researchers documented how deindustrialization and the decentralization of employment contributed to social and economic crises in cities across the nation. Researchers interested in testing and expanding Wilson's arguments centered their attention on those northern and midwestern cities that had emerged over the preceding century as large-scale manufacturing centers.<sup>1</sup> Consequently, urban scholars increasingly concentrated on explaining whether the economic pattern identified by Wilson had an impact on neighborhoods in different types of cities.

More recently, scholars evaluating neighborhood employment trends have refined our understanding of the factors that have led to employment patterns in particular neighborhoods. For example, a significant finding is that joblessness in low-income black neighborhoods has been driven primarily by the decline in urban manufacturing industries. This research has also shown that since 1950 the number of neighborhoods with decreasing employment rates has risen. Moreover, western and southern cities have also experienced slight increases in neighborhood unemployment rates. Such evidence should serve as an incentive for researchers to think more specifically about why cities in the west that have historically been racially and culturally diverse have been able to avoid the consequences of decline.<sup>2</sup>

I build upon the research into neighborhood employment patterns in several ways. First, I use a macro-organizational approach to understand how the density of different organizational populations<sup>3</sup> contributes to the formation of communities of employed residents. By focusing on organizational populations, I suggest that local institutions and organizations are more than mere reactors to neighborhood change—they are social actors with the capacity to structure communities and influence the spatial arrangement of social groups. Because research shows that such organizations were of great importance in the period after World War II, I also examine a historical

period when organizations should have had their greatest impact on aggregate-level outcomes such as employment rates.<sup>4</sup> Finally, I explicitly acknowledge that location is an important organizing factor in the construction of residential patterns. Guided by these objectives, my research asks three questions: (1) do organizations exert effects on employment levels across neighborhoods; (2) if organizations influence neighborhood employment, does their influence remain over time; and (3) is their relationship to neighborhood employment fixed across geographic space?

Using post-World-War II San Francisco as a case study, I employ detailed data from the San Francisco City Directory and the Bureau of the Census to demonstrate that negative macroeconomic forces can be offset by organizational activity at the neighborhood level. I include a number of organizational types and examine the impact of their densities on employment levels in the city from 1950 to 1970. I find that ethnic organizations in particular positively influence employment patterns over time, though spatial externalities temper their effects. Specifically, I find regional differences in ethnic organizations and in their impact on neighborhood employment. A possible explanation for the varied effect of ethnic organizations on employment levels in this period is the degree of spatial differentiation in postwar San Francisco. It is likely that the pattern of class and ethnic differentiation was significant enough to structure the influence of organizations in some areas of the city.

Although these results are preliminary, they are consistent with the arguments made by researchers who view ethnic organizations as resources for creating social capital. A major question, so far unanswered, is why ethnic organizations are instrumental in some areas but not others. In future research, I will go beyond examining regional differences and explore specific areas of the city that seem to successfully sustain ethnic organizations. Consequently, I will be able to assess employment levels in neighborhoods where there is an absence of ethnic organizations.

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<sup>1</sup>J. Kasarda, "Dual Cities: The New Structure of Urban Poverty," *New Perspectives Quarterly* 4, no. 1 (1987): 8–11; P. Jargowsky, "Take the Money and Run: Economic Segregation in US Metropolitan Areas," *American Sociological Review* 61, no. 6 (1996): 984–98; P. Jargowsky and M. Bane, "Ghetto Poverty: Basic Questions," in *Inner-City Poverty in the United States*, ed. L. Lynn, Jr. and M. McGeary (Washington, DC: National Academy of Sciences Press, 1990), pp. 16–67.

<sup>2</sup>L. Quillian, "The Decline of Male Employment in Low-Income Black Neighborhoods, 1950–1990," *Social Science Research* 32 (2003): 220–50.

<sup>3</sup>An organizational population, according to organizational ecologists, is defined as an organization with some unitary characteristic. For example, ethnic newspapers constitute an organizational population because they rely on similar resources (such as an ethnic population) to survive.

<sup>4</sup>R. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon and Schuster, 2000).

## Children's chronic illnesses and mothers' health and employment

Diana Romero

Many current proposals for the renewal of the 1996 welfare reform legislation increase work requirements for mothers receiving cash assistance and limit the ability of states to exempt participants from those requirements. Yet there is clear evidence that poor families are disproportionately likely to suffer from serious health problems that may curtail their ability to find and hold jobs. Two major urban studies have documented that women receiving public assistance, and their children, have higher rates of mental and physical health problems than U.S. women in general, and that they experience higher levels of depression and higher rates of domestic violence. These and other studies have shown that families receiving welfare are also more likely to have chronically ill children than other families.<sup>1</sup>

Many of these studies have been primarily economic in their focus and somewhat limited in their health content. I am currently a co-investigator in a longitudinal study of low-income mothers of children with chronic illnesses.<sup>2</sup> This study, the first to link specific, chronic childhood illnesses with parental health and employment outcomes, is of particular importance in light of the work requirements and the time limits imposed on welfare recipients in virtually every state. We have been specifically interested in the extent to which the health problems of poor children and their mothers affect mothers' ability to comply with work and other welfare requirements.

The study includes just over 500 low-income mothers in San Antonio, Texas, who were primary caretakers of children aged 2 to 12 years with one of seven diagnoses, most commonly asthma (which afflicted over three-quarters of the children), but also diabetes, hemophilia, sickle-cell

anemia, cystic fibrosis, seizure disorder, or a serious neurological impairment such as cerebral palsy. Participants were enrolled at eight clinical sites (walk-in clinics, inpatient wards, private pediatric offices, and public hospitals) and two welfare offices, using bilingual recruiters. Our sample of mothers of chronically ill children is drawn from only one urban center. The ability to generalize from them is thus limited, and because the data are cross-sectional, it is not possible to draw conclusions regarding causality (a second round of interviews was, however, completed in 2003). Nevertheless, our findings are consistent with evidence in other reports.<sup>3</sup>

Almost 60 percent of the population of San Antonio is Hispanic, 32 percent non-Hispanic white, and 7 percent black. Our sample reflected the heavy concentration of Hispanics (see Table 1); nonetheless, nearly 90 percent of the sample were American-born and about the same percentage were native English speakers. Nearly half of the women were single or separated, just over a third were married and living with their husbands, and the remainder were cohabiting, though not married. Their average age was 31, and 35 percent had no high school diploma. More than half reported a monthly income of less than \$1,000 in 2001, for an average household of 4.7 people. Participants reported a variety of hardships—a third had housing difficulties, 40 percent had experienced food insecurity, and a quarter had had their telephones disconnected. It is not surprising, then, that over half had had some previous contact with the welfare system, and about a quarter were former recipients.

Our baseline survey, administered in 2001, specifically aimed to gather information on the health status of mother and child, on health insurance, and on the family's status under Temporary Assistance for Needy Families (TANF). We considered that it was important to determine where the mother stood in relation to the welfare system; thus we asked whether she was a current or former recipient, whether her request was pending, or whether she had been denied assistance. Most studies of welfare do not collect separate information on denied applicants, and the experiences of this group have rarely been explored. We also collected information on other relevant aspects of family life: employment, child care, mental health, domestic violence, and substance abuse (see Table 1).

A high proportion of mothers in our study had chronic health conditions. When interviewers asked about the previous six months, they found that about a third of the mothers and over half of the children had visited an emergency department, and on average the children had missed about 7 days of school or day care. Our survey, like other studies, identified high levels of depression among the mothers. Fewer than half of the mothers had health insurance, compared to 82 percent of children with health insurance. The mother's health insurance status was also a predictor of her current or former TANF sta-



**Table 1**  
**Characteristics of Mothers and Their Chronically Ill Children, by Welfare Status**  
 (percent)

Characteristics	Total (N=504)	Family Welfare Status				Never Received TANF/AFDC (44.8%)
		Currently Receiving TANF (12.5%)	Formerly Received TANF/AFDC (23.8%)	Denied (10.5%)	Pending (8.3%)	
<b>Race/Ethnicity</b>						
Hispanic	62.2	62.3	45.0	78.8	53.7	69.2
Black, non-Hispanic	22.0	23.0	39.2	17.3	29.3	12.2
White, non-Hispanic	10.5	4.9	7.5	3.8	12.2	14.9
Other	5.3	9.8	8.3	0.0	29.3	3.6
<b>Child's Health</b>						
Limitation in activity	62.5	71.4	65.0	75.5	69.0	54.4
Emergency dept. visit in last 6 months	58.7	68.3	60.0	66.0	57.1	54.0
High health care use <sup>a</sup>	21.8	31.7	27.5	17.0	19.0	17.7
<b>Mother's Health</b>						
Routinely suffers from any of 9 chronic health conditions	70.5	82.0	76.1	78.4	77.5	60.8
Health problems make activities of daily living difficult	63.6	72.0	63.7	63.4	81.3	56.3
Routinely suffers from depression	26.5	42.9	28.6	32.1	42.9	16.4
Has experienced domestic violence	23.8	31.7	29.5	28.6	40.0	16.4
Has health insurance	45.7	85.7	34.5	47.2	45.2	40.3
<b>Mother's Employment</b>						
Currently employed	42.3	17.5	47.5	52.8	19.0	48.2
Worked in past 3 years	63.2	51.9	81.0	68.0	76.5	53.8
Tried or wanted to work in past 3 years	40.2	52.0	58.3	50.0	25.0	31.5

**Source:** From the project Finding Common Ground in the Era of Welfare Reform. For more details of the analysis and levels of significance of these characteristics, see D. Romero, R. Chavkin, P. Wise, L. Smith, and P. Wood, "Welfare to Work? Impact of Maternal Health on Employment," *American Journal of Public Health* 92, no. 9 (2002): 1462–68; L. Smith, D. Romero, P. Wood, N. Wampler, W. Chavkin, and P. Wise, "Employment Barriers among Welfare Recipients and Applicants with Chronically Ill Children," *American Journal of Public Health* 92, no. 9 (2002):1453–57.

<sup>a</sup>Three or more emergency department visits or 2 or more hospitalizations in last 6 months.

tus. Women without health insurance for their children were, for example, over twice as likely to apply for welfare as women who had such insurance.

We examined the often conflicting relationship between employment responsibilities and responsibilities for child care and medical appointments for the children. For all welfare groups, obtaining care for a chronically ill child was difficult, but it was most difficult for those whose welfare status was identified as "current," "denied," or "pending" (40, 49, and 40 percent, respectively, versus 33 percent for former recipients and 23 percent for those never on welfare). Denied applicants had the highest rates of child health barriers and work absences, and yet were significantly more likely to miss children's medical appointments than those in any other group (55 percent, versus percent 19 percent for nonrecipients).

Multivariate analyses explored what factors might make it difficult for these mothers to find a job, caused absenteeism, or were the reason they had lost a job. We found that maternal health problems and visits to the emergency room were more likely to be associated with greater diffi-

culty finding work and with greater absenteeism. Depression, maternal health problems, and lack of health insurance were all associated with greater likelihood of job loss. Those in our sample who had not worked in the past 3 years but had wanted or tried to work reported twice as many health and child care barriers to employment as did those currently or previously employed.

It is not surprising that health problems and barriers to work arising from health and child care difficulties were reported more frequently among those not employed, but the higher prevalence of job loss for these reasons is a matter of serious concern. For some families, health appears to hamper the ability to find and maintain employment, and employment appears to hamper the ability adequately to address parents' health needs and those of their children. Families caught in this predicament have limited options. Work absences may lead to lost wages or, if the absences are frequent, a lost job. But when parents miss their children's medical appointments, continuity and quality of care are undermined. Children with asthma who miss a flu shot, for example, are at higher risk. Families that miss the regular care needed to control

chronic illnesses are likely to end up in already overstretched emergency departments that cannot provide the multidisciplinary care needed by the chronically ill.

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<sup>1</sup>The four-city study, which includes Cleveland, Los Angeles, Miami, and Philadelphia, is discussed in D. Polit, A. London, and J. Martinez, *The Health of Poor Urban Women: Findings from the Project on Devolution and Urban Change*, MDRC, New York, 2001. The three-city study of Boston, Chicago, and San Antonio is reported in R. Moffitt and A. Cherlin, *Disadvantage among Families Remaining on Welfare*, Joint Center for Poverty Research, Northwestern University/University of Chicago, 2000. These findings are substantially corroborated by S. Danziger, M. Corcoran, S. Danziger, C. Heflin, A. Kalil, and colleagues, "Barriers to the Employment of Welfare Recipients," Discussion Paper 1193-99, Institute for Research on Poverty, University of Wisconsin-Madison, 1999.

<sup>2</sup>Among analyses conducted from this research are D. Romero, R. Chavkin, P. Wise, L. Smith, and P. Wood, "Welfare to Work? Impact of Maternal Health on Employment," *American Journal of Public Health* 92, no. 9 (2002): 1462-68; D. Romero, W. Chavkin, P. Wise, and L. Smith, "Low-Income Mothers' Experience with Poor Health, Hardship, Work, and Violence: Implications for Policy," *Violence Against Women* 9, no. 10 (2003): 1231-44; L. Smith, D. Romero, P. Wood, N. Wampler, W. Chavkin, and P. Wise, "Employment Barriers among Welfare Recipients and Applicants with Chronically Ill Children," *American Journal of Public Health* 92, no. 9 (2002):1453-57

<sup>3</sup>Because respondents were recruited at both clinical and TANF centers, they differed in that half were seeking care for their children at the time of the interview and half were not, though their children did meet the criteria for chronic illness. This sampling approach, however, minimized sample bias by allowing for the inclusion of a broad group of individuals who might have contact with the welfare system.

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