



Focus

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Child poverty and welfare reform: Progress or paralysis?

by Thomas Corbett

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Introduction

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

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

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

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

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

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

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

Poverty among children

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

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

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

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

United Kingdom and Canada, four times the French rate, and over ten times the Swedish rate.⁸

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

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

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

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

AFDC (originally ADC or Aid to Dependent Children) was incorporated virtually without debate into the Social Security Act of 1935.⁹ The program provided federal support to financially strapped states trying to maintain systems of mothers' pensions during a national depression. It was expected that the program would become superfluous as more and more widows and children came under the protection of Social Security. Moreover, AFDC was specifically designed to keep certain impoverished mothers (e.g., widows) out of the labor force so that they would not compete with men for scarce jobs and so they could fully attend to their caretaker responsibilities—provided they followed behavioral rules laid down by the states.

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

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

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

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

In an entitlement program the efficiency principle predominates—provide benefits in a simple and standardized fashion unfettered by onerous conditions. The federal government took the lead in proposing improved methods of distribution of benefits. Several national mega-plans, ranging from universal demogrants to variants of the negative income tax concept, were considered in the period 1965–78.¹¹ The Family Assistance Plan introduced by President Nixon came closest to enactment.¹²

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

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

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

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

The cacophony of reform

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

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

- *Social service strategies.* Modestly undertaken in 1956 and greatly expanded in 1962, the concept was that social workers would counsel recipients out of poverty and dependency. The credibility of this approach evaporated when caseloads began to increase at an accelerating rate. This approach can be traced back to the “friendly visitors” of the scientific charity movement in the late nineteenth century. It reemerges as part of the tough-love and social-contract initiatives discussed below.
- *Institutional strategies.* As part of the War on Poverty and Great Society effort, programs were initiated to revitalize social and political institutions at the local level. It was an attempt to empower individuals and neighborhoods, a strategy consistent with the “blocked opportunity” thesis that informed and shaped the War on Poverty. These initiatives (e.g., model cities, community action programs) encountered severe political problems and most were short lived. In the 1980s enterprise zones and public housing “ownership” initiatives were suggested to counter disinvestment and disorganization in disadvantaged areas.
- *Human capital strategies.* By the early 1960s, it was argued that some were poor because of insufficient skills

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

- *Job creation and subsidization strategies.* Public Service Employment (PSE) jobs were used to offset deficient demand for disadvantaged job seekers. At the height of the New Deal of the 1930s, some 4.6 million jobs were created, covering about a third of the jobless. PSE strategies continued to be in favor, at least sporadically, until the 1980s, when private sector solutions to insufficient demand for labor gained favor. Unpaid public employment as a condition for getting welfare (i.e., workfare) was introduced in the mid-1960s and has been employed sporadically since. A variety of subsidies to employers (wage-bill subsidies) to offset the costs of hiring disadvantaged job seekers have been tried—becoming a major strategy in the late 1970s. The Targeted Jobs Tax Credit and WIN Tax Credit are two such subsidies. Yet another variant of this approach is the AFDC grant diversion program.
- *Income strategies.* The best example of the income approach to reducing poverty was found in the several comprehensive federal mega-plans proposed during the 1970s: Nixon’s Family Assistance Plan, Senator George McGovern’s universal demogrant proposal, and Carter’s Program for Better Jobs and Income. Their roots can be traced back to proposals for a negative income tax, initially suggested by Milton Friedman and others during the 1960s. A more subtle expression of this approach is found in the rather unplanned increase in the generosity of welfare guarantees and the easing of restrictions to obtaining benefits that took place in the 1960s and early 1970s.
- *Child support strategies.* The changing composition of the AFDC caseload—proportionately fewer widows with children and more women with children whose other parent was alive but absent from the home—eventually led to a

series of initiatives designed to ensure that both legally liable parents contribute to the economic well-being of their children, whether or not they were living with them. Though some federal activity was taken as early as 1950, substantive reforms were not carried out until the creation of the federal Office of Child Support Enforcement (OCSE) in the mid-1970s. This reform strategy was strengthened by federal legislation in 1984 and 1988 (the Family Support Act).

- *Macroeconomic strategies.* For several decades, monetary and fiscal policy has been used as a tool for addressing poverty. The Kennedy tax cuts of the early 1960s, and their alleged positive effects on a sluggish economy, were seen as evidence that the economy could be fine-tuned and used as a weapon against economic want. Until the 1980s demand-focused approaches (e.g., increasing the money supply or increasing spending on public works projects) were favored. Since then, so-called supply-side approaches (e.g., lower marginal tax rates on individuals and businesses) have come into favor. The principle has remained the same; a strong economy is essential to reducing poverty and dependence. That is, a rising tide will lift all boats.
- *The “make work pay”¹⁷ strategy.* This approach has been supported by an increasing number of economists who trade in poverty policy. It is conceptually similar to some aspects of the job creation and subsidization initiatives introduced as far back as the 1960s. The underlying principle is simple: work ought to be a rational option; those adult AFDC recipients who work more ought to have more income; those who really play by the rules and work full time ought to be able to get their families out of poverty.
- *The “make ’em suffer”¹⁸ strategy.* The “make ’em suffer”¹⁸ label refers to a broad set of proposals to impose penalties on what are classified as inappropriate or counterproductive behaviors. Benefits are conditioned on such positive activities as school attendance, partaking in work-preparation activities, immunizing children in the care of the recipient, not having more children while on public assistance, paying the rent, or avoiding certain felonious activities such as illegal drug use or dealing. The recipient is obliged to engage in specific activities to get full benefits. In reality, the “tough love” innovations of the 1980s did little more than resurrect provisions widely used in the “fit home” criterion of the preentitlement era.
- *Social contract strategies.* The term “social contract” is used to describe a current approach to reform.¹⁹ In principle, this approach balances both institutional and individual explanations for poverty/dependence as well as both liberal and conservative approaches to reform. That is, it would borrow elements from both the “make work pay” and the “make ’em suffer” approaches noted above. The

recipient is obligated to work toward self-sufficiency, and government is obligated to provide the instruments and opportunities that will enable the individual to reach that goal.

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

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

Problems in “doing” social welfare policy

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

1. **The Armageddon Complex:** An issue or problem is discovered and thrust onto the policy agenda in a way that suggests imminent crisis.
2. **The Mount Everest Complex:** The call for change is broad and the definition of success is cast in exaggerated or hyperbolic terms.
3. **The Columbus Complex:** An old idea or reform theme is embraced with enthusiasm and treated as novel.
4. **The Used Car Complex:** The idea or concept is oversold—benefits exaggerated and costs (fiscal and unintentional consequences) understated—in order to get the policy or program adopted.
5. **The Rose Garden Complex:** The stunningly naive belief is maintained that (in most instances) the passage of legislation and the issuance of political statements about the legislation (or new policy) are the equivalent of having an operative policy or program.
6. **The Blitzkrieg Complex:** The time-line for design, introduction, and institutionalization of the policy/program often is woefully inadequate—typically based on a political rather than a program cycle.
7. **The Scrooge Complex:** The resources made available for the initiative are based on political and fiscal considerations rather than what is needed for the job.
8. **The It’s Good Because It’s Mine Complex:** Evaluation is overlooked, added on as an afterthought, or seriously underfunded in part because the calculus of “success” is measured in the aura of the original political victory.

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

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

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

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

Adverse trends

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

Family structure

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

growing up in a single-parent household—particularly one headed by a woman—are quite serious. The average cash income for a female-headed family with children is only about one-third of that of intact families.

Labor market realities

The labor market is not performing as it once did. The inflation-adjusted median income for families with children doubled between 1947 and 1972.²⁴ In the subsequent two decades, incomes have stagnated, increasing by only 5.4 percent. Moreover, those at the bottom have suffered the most—the proportion of total U.S. income received by the poorest fifth declined by 16.7 percent.

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

Private child support

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

Public support for children (welfare)

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

The fatal flaw of welfare

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

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

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

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

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

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

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

Rethinking reform

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

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

The ideological divide on dependency and poverty

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

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

Among the softs are those who believe that it is incumbent upon the state to provide its citizens with enough to enable them to subsist, whether they work or not. Among the hards are those who argue that proactive government action to reduce poverty is causally linked to increases in social disorganization and personal dysfunctioning, and that everyone would be better off if public interventions were minimized. Between these positions are, of course, those who believe that a myriad of factors contribute to and perpetuate poverty

and dependency, including both institutional and individual factors. But the reform dialogue too often assumes the contours of a formal debate—with little real communication and an obsession with scoring points. The debate seems to focus on the extremes of the continuum and on the simplest of analyses and solutions.

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

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

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

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

But must one choose one side or the other? one image of the poor over all the others? one theoretical approach? one

approach to reform? In fact both positions reveal part of the truth, because no one image of the poor captures the full reality of this diverse population.

Heterogeneity—a new place to start

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

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

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

The onion metaphor: Toward a conceptual framework

If we are to succeed in reducing dependency and enhancing the well-being of children, we cannot merely apply programs designed to make welfare less appealing—by cutting benefits and restricting coverage. Rather, we must apply solutions that deal with dependency by offering the opportunities and, as needed, obligations to work and to achieve by work an ade-

quate standard of living. To accomplish this goal, we must design solutions that respond to the diverse needs of the diverse population of the poor. If we visualize the successive and distinguishable layers of the dependent poor as an onion, we can select from our arsenal of initiatives an appropriate array of interventions to deal with successive layers of the needy. Those at the top, the skin of the onion, will need little assistance and that of a different sort from what will be required to attain self-sufficiency for those at the core. As those who can (or will) respond to softer measures leave welfare (or never come on), public resources can more efficiently be directed toward those seemingly hopelessly mired in poverty. Table 1 describes the layers of the dependent and the likely interventions available to assist them.

Table 1
Peeling the Onion: Matching Reforms with Subgroups

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

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

The outer layer

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

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

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

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

No feasible tax-credit proposal can expect to transfer anything close to an adequate income to disadvantaged families with children—particularly female-headed families. For those ready and able to work, the emphasis should be on inducing dependency-reducing and poverty-reducing behaviors by offering rational choices to the poor—policy mea-

asures to “make work pay.” Other interventions designed to do the same thing include increasing (or indexing) the minimum wage, providing earnings-based income supplements, and/or ensuring that nonearned transfers (e.g., an assured child support benefit, described below) are not subject to confiscatory benefit reduction rates.

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

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

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

The middle layers

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

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

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

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

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

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

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

The new reciprocal relationship with actually or potentially disadvantaged individuals would start early on. Youth in dependent families have until recently been ignored. Society is now trying to reach them through a renewed emphasis on educational reforms and greater attention to problems associ-

ated with intergenerational dependency. Skills and capacities of the young should be improved before they develop traits that are associated with behavioral dependency. The policy landscape is broad here: change and improve schools; change the behavior of school-age children (“soft” Learnfare);⁴¹ and improve the school-to-work transition. These are institutional reforms. Others have suggested economic approaches, such as providing all youth with a “youth capital account”—an amount of money that could be drawn upon for the purpose of securing educational or vocational opportunities.

The core of the onion

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

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

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

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

focused solutions to poverty as the policy community retreated from the 1960s War on Poverty must be addressed.

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

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

The inner core

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

Graded policy interventions

Conceptually, various policy interventions are graded to reach different levels of need and circumstances found at various layers of this hypothetical onion. For those at the outer layers of our onion, inducement-type interventions appear appropriate. These earnings-conditioned and non-means-tested transfers and supports are designed to “make work rational.” For those in the middle layers, improvement-type interventions appear warranted—those designed to enhance human capital and improve those individual motivations, behaviors, and skills essential to success in the labor market. These are designed to “make work realistic.” As we close in on the core, we focus more on imposition/intervention-type initiatives. Unlike the opportunity-based themes for those on the outer layers, the theme here is obligation. These interventions are designed to “make work a reality,” in part by removing AFDC as a dependency-enabling policy.

In other words the essential task is seen as one of peeling back the onion—the onion being visualized as successive and distinguishable layers of the dependent poor population—by systematically putting into place a set of initiatives that successively deal with the needs and circumstances of individuals who lie within each of the layers. The essential strategy is first to remove those on the outer layer of the onion through “softer” initiatives designed to rationalize the set of economic choices facing low-income families, then to enhance the capacities and opportunities of those in the middle layers of the onion through a combination of reciprocity (e.g., the social contract theme) and rehabilitative (e.g., human capital enhancements) initiatives, and finally to address the core of the onion through a variety of responsibility-focused (e.g., obligation-based) measures. Once these strategies are in place, some would argue that the opportunity to transform welfare programs like AFDC into time-limited, transitional forms of assistance would present itself.

Children and the onion metaphor

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

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

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

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

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

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

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

Sixth, this way of thinking about things may ultimately benefit the most destitute of children, some of whom live in families in which the parent refuses to respond to the various inducements, improvements, and impositions designed to ascertain that the household has income when welfare runs out. If we allow welfare to continue in such cases, the ultimate threat of a time limitation is compromised. And if we

make the time limit real, public responsibility for the children is increased. The public response may have to be child welfare investigations to determine if the children are best served by remaining in such settings.

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

Where are we now?

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

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

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

Table 2
Overview of Reform Proposals

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

^aSheldon Danziger, "Antipoverty Policies and Child Poverty," IRP Discussion Paper no. 884-89, 1989.

^bDavid Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988).

^cIrwin Garfinkel and Sara McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: Urban Institute Press, 1986).

^dRobert Haveman, *Starting Even: An Equal Opportunity Program to Combat the Nation's New Poverty* (New York: Simon and Schuster, 1988).

^eRobert Lerman, "Nonwelfare Approaches to Helping the Poor," *Focus* 11:1 (Spring 1988), pp. 24-28.

^fLawrence Mead, "Work and Dependency: Part 2," manuscript prepared for the Welfare Dependency Project of the Hudson Institute, New York, 1986.

^gCharles Murray, *Losing Ground: American Social Policy, 1950-1980* (New York: Basic Books, 1984). Also public statements.

^hWilliam Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987).

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

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

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

Getting from here to there

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

The task of improving the circumstances of the poor without creating dependency is daunting. Available evidence suggests that moving the disadvantaged into mainstream society is more difficult than imagined. Anecdotal reports from state

officials implementing the JOBS provisions of the FSA reveal that the personal barriers to labor market participation are more severe and widespread than anticipated. Reviews of the research literature appear to confirm this. Long-term AFDC mothers—relative to nonwelfare mothers—are more likely to make counterproductive life choices, are more likely to possess deficient levels of human capital, and are more likely to harbor negative attitudes toward labor market participation.⁴⁴

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

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

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

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

At the starting line

Welfare reform and child poverty are wicked public policy problems where normative, theoretical, and technical (among other things) contention runs high. No one piece of

legislation or one policy initiative—no matter what hyperbole is attached to it—will solve the underlying conundrum.

Hugh Heclo tempers unrealistic enthusiasm in the following way:

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

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

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

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

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

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

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²From “Remarks by the President to the National Governors’ Association Winter Session,” February 3, 1993, The White House, Office of the Press Secretary, p. 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

³⁵Ibid.

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

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

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

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

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

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

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

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

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

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

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

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

⁴⁸Hecllo, "Poverty Politics," p. 38.

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