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Richard W. Hurd
Cornell University, rwh8@cornell.edu

Allen Thompson
University of New Hampshire

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Welfare Reform: The View from New Hampshire and Massachusetts

Abstract

As he promised during his election campaign, President Carter has proposed a major overhaul of the welfare system. Under the Better Jobs and Income Act, unveiled in August 1977, the major components of the current welfare system would be replaced by a program combining cash assistance and job opportunities. This paper evaluates the Carter proposal based on the experience under existing employment, training and welfare programs and then assesses its potential impact on the states of New Hampshire and Massachusetts. In the course of the discussion, we deal with the following questions: (1) Does the proposal effectively address the weaknesses in the current welfare system? (2) Can the proposal achieve its stated goals? (3) Will the impact of the program vary in states with different characteristics? (4) How do state administrators charged with implementing the program respond to its various components? Although the answers to these questions are seldom conclusive, the weight of the evidence leads us to conclude that there are serious weaknesses in the Carter proposal. Major changes are necessary in order for the program to become a viable alternative to the current system which both improves the status quo and achieves sufficient support to be enacted.

Keywords

welfare reform, Massachusetts, New Hampshire, unemployment

Disciplines

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Comments

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Welfare Reform: The View from New Hampshire and Massachusetts

Richard W. Hurd and Allen Thompson*

Introduction

As he promised during his election campaign, President Carter has proposed a major overhaul of the welfare system. Under the Better Jobs and Income Act, unveiled in August 1977, the major components of the current welfare system would be replaced by a program combining cash assistance and job opportunities. This paper evaluates the Carter proposal based on the experience under existing employment, training and welfare programs and then assesses its potential impact on the states of New Hampshire and Massachusetts. In the course of the discussion, we deal with the following questions: (1) Does the proposal effectively address the weaknesses in the current welfare system? (2) Can the proposal achieve its stated goals? (3) Will the impact of the program vary in states with different characteristics? (4) How do state administrators charged with implementing the program respond to its various components? Although the answers to these questions are seldom conclusive, the weight of the evidence leads us to conclude that there are serious weaknesses in the Carter proposal. Major changes are necessary in order for the program to become a viable alternative to the current system which both improves the status quo and achieves sufficient support to be enacted.

I. Background Information

The Current Welfare "System": The Need for Reform

The hodge-podge of overlapping, conflicting, and fragmented programs which constitute the current welfare "system" in this country has been under attack for many years. One of the ironies of the push for welfare reform is that almost all critics – including liberals, conservatives, and radicals – agree that the current system is a disaster and agree, in many respects, on the defects of the system. Unfortunately, as is true in other policy areas as well, they have not been able to agree on the precise way in which the system should be organized. A brief discussion of the current system and a litany of the major defects as generally agreed upon can help place the Carter reform proposal in perspective¹ [11, 13].

The current system includes the major federal income assistance programs – Aid to Families with Dependent Children (AFDC), Supplementary Security Income (SSI), and Food Stamps; the various General Assistance (GA) programs of cash assistance run by state and local governments; a range of "in-kind" programs such as Medicaid, housing subsidies, and other social services; and the Work Incentive Program (WIN) to aid in moving welfare recipients into gainful employment. It should be noted that the programs listed as federal are, in essence, state administered programs under state-determined eligibility rules and assistance levels so that we have not one, but many systems. It is a major goal of

*Both of the Whittemore School of Business and Economics, University of New Hampshire.

¹For a more extensive discussion of the defects of the current system along with options for reform see [11, nos. 1-5 and 13].

most welfare reform proposals to replace these systems with a single, more uniform and consistent system.

Several of the major defects of the welfare system are products of the complexity and fragmentation which results from the variety of programs currently in place. Each of these programs, AFDC, Medicaid, and so on, has its own set of rules, regulations, benefits, and administrative procedures. This complexity causes several problems: (1) it increases the administrative burden, thus increasing costs and encouraging the growth of a large bureaucracy; (2) it results in greater errors, more fraud, and greater abuse; and (3) it demeans the poor while confusing both the poor and administrators of the program. It is not clear what benefits, if any, are derived from the complexity.

The current system places a major burden for administering and paying for welfare programs on state and local governments. The increase in the number of welfare recipients over the past several years has resulted in a tremendous growth in required state and local expenditures. Moreover, because states vary in their abilities and desires to support welfare assistance, people are treated differently in different parts of the country.

The current welfare system can also be criticized as antifamily. In almost half of the states, two-parent families are ineligible unless one of the parents is disabled. Moreover, even in states which have adopted the AFDC component for two-parent families, income can often be increased if one of the parents leaves.

Despite the large variety of cash and in-kind programs, the current system excludes many of the poor and provides low levels of assistance to others. Those excluded include many of the working poor, a large number of two-parent families, and almost all of the nonaged single individuals and childless couples.

One of the underlying assumptions of welfare in this country has been that "able-bodied" individuals should work to provide the major source of their income. Ironically, the current welfare system discourages rather than encourages work. For those mentioned above who are not eligible for welfare, the work "incentives" are obvious. For those currently covered by welfare, however, the incentives are lacking. Earned income is covered by the "33-and-one-third" rule, which in essence means a tax rate (benefit reduction) of 66-2/3 percent. Moreover, because many "in-kind" programs are conditional on receiving cash assistance, a reduction in real income can occur for some who go to work or who increase their work effort. The Work Incentive Program, designed to aid the poor in moving into gainful employment, has been handicapped by the disincentives present in our current system. It can also be noted that a major disincentive to work is clearly the scarcity of good jobs available to the welfare population, given the multiple handicaps the poor have when competing in the labor market.

Compared with the goals of welfare, the criticism expressed by President Carter that the current system is "anti-work, anti-family, inequitable in its treatment of the poor and wasteful of tax-payers' dollars [16, p. 2]" seems a fair assessment.

The Carter Alternative: The Better Jobs and Income Act

As promised, President Carter proposed an alternative to the current welfare system — The Better Jobs and Income Act — in August, 1977. As is true with most legislation in progress, many of the details and perhaps a few of the major thrusts will be modified before the bill becomes law, if ever.² What follows is a summary of the major components of the Carter proposal as it currently exists [Based on 9, 10]. Later sections will analyze the proposal more completely and assess the impact it would have on the states of New Hampshire and Massachusetts.

²Hearings on the bill are underway in the House of Representatives *ad hoc* Committee on Welfare Reform.

The Better Jobs and Income Act, as its name implies, has two major objectives: (1) a consolidation of the major income support programs into a more uniform, consistent, and coherent system and (2) an increase in job opportunities for the low income population. In addition, the system would become more "Federalized," both because the federal rules for determining eligibility and minimum assistance levels would prevail and because the federal share of welfare costs would increase. The Carter proposal is based on the philosophy that those in need who are unable to work for reasons of disability, age, or other extenuating circumstances, deserve public income support, while those able to work should be encouraged to work and, if necessary, assisted in obtaining employment. Both the cash assistance and the jobs components of the program are formulated on these objectives.

1. The Cash Assistance Component

The Carter proposal would replace the four major income assistance programs — AFDC, SSI, GA and Food Stamps — with a "two-tiered" program of cash assistance formulated along the lines of a negative income tax. The upper tier is associated with those for whom work would not be expected and includes the aged, blind, disabled, single-parent families with children under 6 years of age (or children between 6 and 13 when a part-time job or day care are not available), and two-parent families with young children where one parent is unable to work. The lower tier is for those expected to work, including two-parent families with children, single-parent families where the youngest child is at least 14 years of age, childless couples, and single individuals. If a job offer were refused by an adult in this tier, benefits would be reduced in the case of families with children or cancelled for childless couples and single individuals.

The payment levels associated with the national basic benefits are shown in Exhibit 1. Following the distinctions between the "deserving" and "non-deserving" poor, the payments vary by individual and family characteristics. The basic benefits are the levels of assistance without any state supplementation and assuming no earned income. Payments are reduced by 50 percent for earned income, the negative tax rate, for all groups.

In addition to the national basic benefits, which represent a nationwide minimum payment level, states are allowed, encouraged and in some cases required to supplement these levels. At the same time each state is guaranteed a fiscal relief of no less than 10 percent of its current level of welfare expenditures.

The cash assistance program is designed to encourage work among those deemed able to work in several ways: (1) through the operation of the negative income tax which always permits earned income to increase the overall economic status of the family; (2) through an expanded version of the earned income tax credit (a tax credit or rebate of 10 percent on earnings up to \$4,000; a credit of 5 percent on earnings from \$4,000 to the family's break-even or no benefit level) which adds to the income gains from private sector earnings; (3) through the work requirements which penalize those who are supposed to work but refuse job offers; (4) through periodic and mandatory job search requirements; and (5) through the jobs component of the program which increases job opportunities for the poor.

2. The Jobs Component

The jobs component of the Carter welfare reform proposal is designed to encourage work and develop jobs for principal wage earners in low income families. It is founded on the following principles: (1) society has a right to expect most families to support themselves through income earned by working; (2) encouraging employment is a way of minimizing expenditures on welfare; (3)

EXHIBIT 1
NATIONAL BASIC BENEFITS ¹
(With No State Supplements)

Not Expected to Work

| | |
|---|--|
| Single-Parent Family (With Youngest Child Under 6) ² | |
| \$1,900 | Head of Household |
| 1,100 | First Child |
| 600 | Each Additional Child With Maximum of 7 Persons Per Family |
| Aged, Blind, and Disabled | |
| \$3,750 | Couple |
| 2,500 | Single Individual |

Expected to Work

| | <u>Benefits During Eight Week Job Search</u> | <u>Benefits If Job Refused</u> | <u>Benefits If No Job Available</u> |
|--|--|------------------------------------|---|
| Two-Parent Family | | | |
| Adult Expected to Work | \$ 0 | \$ 0 | \$1,900 |
| Other Adult | 1,100 | 1,100 | 1,100 |
| Each Child Regardless of Age With Maximum of 7 Persons Per Family | 600 | 600 | 600 |
| Single-Parent Family (With Youngest Child 14 or Over) | | | |
| Adult Expected to Work | 0 | 0 | 1,900 |
| First Child | 1,100 | 1,100 | 1,100 |
| Each Additional Child With Maximum of 7 Persons Per Family | 600 | 600 | 600 |
| Single-Parent Family (With Youngest Child Age 6-13) | | | |
| Adult Expected to Work | 1,900 | 0 | 1,900 |
| First Child | 1,100 | 1,100 | 1,100 |
| Each Additional Child With Maximum of 7 Persons Per Family | 600 | 600 | 600 |
| Childless Couple | | | |
| Each Adult | 1,100 | 0 | 1,100 |
| Single Individual | | | |
| | 1,100 | 0 | 1,100 |

¹ The basic benefit is the benefit to a recipient when no other income is available.

² This also applies to single-parent families (with youngest child age 6-13) where day care or appropriate part-time job is not available.

Source: U.S. Office of the White House Press Secretary, *The Program For Better Jobs and Income* [16, attachment, p. 25].

private sector and unsubsidized public sector jobs (collectively called "regular" jobs) are preferred; and (4) since "regular" jobs do not exist for all of the poor, some subsidized public sector jobs and/or training slots will be necessary to make work a viable option.

The Carter jobs component has the following features: (1) increased assistance from the employment service to help welfare recipients find employment; (2) increased training opportunities to improve the skills of low income workers; (3) subsidized public sector jobs for principal wage earners in families with children; and (4) the work incentives and work requirements contained in the cash assistance component.

The jobs component would create 1.4 million job and training slots under a new Title IX of the Comprehensive Employment and Training Act (CETA). Since it is also an objective to encourage regular employment and not to disrupt the operation of the regular sector, these jobs would pay no more than the minimum wage. In addition, the earned income tax credit would not be applied to income earned from these jobs, and those holding the subsidized jobs would be required to engage in an eight week intensive job search after one year in a subsidized position.

It should be noted that these new opportunities for training and public sector jobs are available only to unemployed "principal earners" in families with children. The rest of those required to work are ineligible. Moreover, the subsidized slots are available only after an intensive five to eight week job search, and only if a private job paying the minimum wage or better is not offered. Any time such a job is offered, it must be accepted. These rules are included, according to the Carter proposal, "to prevent these subsidized jobs from becoming a permanent alternative to private employment. These subsidized jobs are designed to serve as a transition from unemployment to permanent jobs in the private sector [16, p. 5]."

The jobs component would be administered under the combined efforts of the state employment service which would assist in the job search efforts, and the state and local CETA prime sponsors who would coordinate the job creation and training. The jobs created under the Carter proposal would hopefully provide not only useful public services in areas where the regular economy would not be in competition, but also useful work experience and income to the participants.

II. Preliminary Evaluation of the Better Jobs and Income Act

The weaknesses in the current welfare system are widely recognized. In spite of this, welfare reform is difficult to accomplish largely for political reasons. Congressional conservatives view proposals to overhaul the welfare system as an opening wedge for an attack on their prime targets - the welfare bureaucracy, burgeoning welfare expenditures, and work disincentives. Liberals, on the other hand, greet welfare reform as an opportunity to improve the government's performance in the area of poverty reduction, which to them means higher payment levels and an expansion of welfare coverage to the entire poverty population. In the past these two opposing attitudes have left little room for compromises and only piecemeal changes have won approval [1].

The Carter welfare reform proposal was drafted by the Consulting Group on Welfare Reform which was coordinated by Joseph Califano, Secretary of Health, Education and Welfare.³ The members of the Consulting Group were well aware

³Information on the activities and publications of the Consulting Group on Welfare Reform are available from Bob Heim, Executive Director, Room 410-E South Portal Building, 200 Independence Avenue, S.W., Washington, DC 20201.

of the political realities involved and attempted to address the concerns of both conservatives and liberals. To the conservatives they promised administrative simplicity, a reduction in the welfare bureaucracy, and stringent work requirements. To the liberals they offered broader coverage, and by combining income supplements with job creation they were able to promise improved benefits in most states. While we recognize the enormity of the task that faced the Consulting Group, and are impressed by the cleverness of their solution, we see a number of weaknesses in the proposal which we believe will eventually result in its unraveling.

The Cash Component

As noted above, the income supplement component of the Carter proposal is basically a negative income tax. Most economists agree that the most reasonable approach to poverty reduction within a capitalist economy is the negative income tax because it provides work incentives, is simple to administer, and treats all of the poor equally [2]. There will undoubtedly be political disagreements with this component regarding the payment levels, with those on the left attacking them as too niggardly, and those on the right criticizing them as overly generous. There are, however, more fundamental weaknesses in the proposal. In particular, the Carter program modifies the negative income tax in such a way as to sacrifice some of its potential advantages.

In the first place, all of the poor would not be treated equally. The proposal would perpetuate the categorical nature of the current welfare system by offering different income guarantee levels based on demographic characteristics unrelated to family size (see Exhibit 1). This approach in effect treats some of the poor as more deserving than others. For example, payments to the aged would be significantly higher than payments to most other members of the poverty population; a single individual aged 65 with no other income would receive \$2,500 while one aged 64 would receive only \$1,100. To cite another example, during the job search period a single-parent family of four with the youngest child aged 13 would be eligible for \$4,200 on an annual basis, but if the youngest child were 14 the payments would be only \$2,300. Work requirements would also vary with adults in some households not required to work (e.g., single-parent families with children aged less than 6); others would be required to work or face benefit reduction (e.g., two-parent families with children), and others required to work or face total disqualification (e.g., childless couples).⁴ The implicit designation of some of the poor as more deserving than others greatly increases the complexity of the program and sacrifices the egalitarian character of a pure negative income tax.

A second weakness of the income supplement component relates directly to the work requirement. As mentioned above, a primary advantage of the negative income tax is that it encourages work effort. This is true because welfare recipients will always be able to improve their total income if they increase their *earned* income. There is ample empirical evidence to support this observation. The U.S. Department of Health, Education, and Welfare has conducted negative income tax experiments at several locations across the country. The results of these experiments indicate that the attachment to the labor market demonstrated by primary wage earners in low income families is not affected by the availability of a guaranteed income, even if the guarantee exceeds the poverty line [14].

Not only are work requirements unnecessary, they are also likely to be ineffective. Under the WIN program certain recipients of AFDC are required to search for work and accept any reasonable job offer or face substantial benefit

⁴ This problem is exacerbated by the jobs component of the proposal which would make CETA Title IX job and training slots available only to families with children.

reductions. One review of WIN recipients concludes that the work requirement does not result in expanded job search among AFDC recipients [3]. Another study, conducted by staff economists at the U.S. Department of Labor, which is charged with enforcing WIN concludes that the program is not cost effective; in other words, the costs of WIN exceed the resulting savings in welfare expenditures. Furthermore, the study observes that most WIN participants who find work do so on their own with no use of job placement services [15].

In regards to the work requirement the Consulting Group on Welfare Reform apparently gave more weight to political considerations than to past experience. The Department of Health, Education, and Welfare experiments provide evidence that the negative income tax has ample built-in work incentives, and the experience with WIN indicates that work requirements are ineffective. Furthermore, work requirements counteract the administrative simplicity of the negative income tax because they necessitate a continuous monitoring of welfare recipients' job search activity.

The Jobs Component

As noted above, the Carter proposal promises improved job placement assistance for all welfare recipients, and would create 1.4 million jobs and training slots under CETA for adults in welfare families with children. As with the cash component, there will undoubtedly be political disagreement with the job creation effort. Those on the left will demand more jobs, higher wages and benefits, and assurances that the jobs will provide useful services to the community. Those on the right are likely to oppose job creation because of its potential interference with private sector labor markets. Political criticisms aside, there are important weaknesses in the jobs component centering around unrecognized administrative difficulties. Recent experience under CETA underlines the reasons for our concern [7, 8].

CETA, enacted in 1973, transferred administrative responsibility for federally funded labor market services (training and job creation) from the federal government to state and local governments. In spite of this administrative decentralization, the federal government has maintained a significant degree of control by issuing regulations regarding the use of CETA funds. In addition to the regulations mandated by the law and issued by the national office of the U.S. Department of Labor in Washington, DC, there are others emanating from regional offices anxious to protect their bureaucratic "territory." State and local CETA administrators have experienced varying degrees of difficulty dealing with the bureaucratic red tape imposed from above. The Carter proposal, by supplementing CETA with an additional job creation and training effort under a new title, would add to problems of vertical coordination between the federal government and state and local CETA offices.

Another change brought about by CETA was the need for coordination between state and local CETA sponsors and state Employment Services (ES). In general, the relationship between these agencies is still unsettled, primarily because of overlapping responsibilities and conflicting goals. The Carter proposal calls for an initial job search period administered by the ES for welfare recipients prior to their placement in a CETA job or training slot. This would obviously require increased coordination between CETA and ES offices, adding to existing burdens.

If the Carter program reduced the responsibilities of CETA and ES in other areas, it might be reasonable to assume that these new duties could be handled without undue strain. In fact, the contrary is true. The job creation and training component would be added to CETA with no cutbacks anticipated in other programs. The ES would be charged with fulfilling the promise of expanded job search assistance to all welfare recipients, presumably without reducing its efforts in behalf of the unemployed nonpoor.

To further complicate the picture, welfare offices would be given the original responsibility of referring welfare recipients to CETA and ES, adding another bureaucracy to the fracas. The work requirement would be a crucial component of the increased bureaucratic interaction. The ES would be responsible for monitoring job search activity of welfare recipients to be certain that no job offers were refused. In the case of a violation of the requirement, the ES would notify the welfare department so that payments could be reduced or eliminated, and CETA so that no job or training slot would be allocated to the guilty party. The study of the effect of WIN on job search, referred to above, reports that ES offices lack sufficient staff to effectively monitor the job search activity of WIN registrants [3, p. 86]. Because the new program would extend the work requirement to a much greater portion of the welfare population, the burden placed on the ES would increase.

The National Academy of Sciences has been monitoring the impact of CETA across the country and has concluded that "the new responsibilities are seriously straining the capabilities of local government," and further that "CETA has scrambled existing interorganizational relationships at all levels [7, pp. 9 & 17]. We believe that the Carter proposal would greatly increase the strain on state and local governments and further complicate relationships among federal, state and local agencies.

We do not intend to imply that these difficulties could not be handled, but rather that they should be addressed. It seems clear that the new duties and the increased need for coordination would require substantially greater administrative expenditures for CETA sponsors and the ES. Even this may not be enough since many CETA sponsors report that trained staff are not available in sufficient numbers for them to handle current responsibilities, much less an expanded effort.

III. The Impact on New Hampshire and Massachusetts

To complete our evaluation of the Better Jobs and Income Act, we will now assess the potential impact of the proposal on the states of New Hampshire and Massachusetts. To facilitate this assessment we have gathered information concerning the current welfare systems in the two states and have interviewed officials in the respective state welfare and manpower departments. (The remainder of Part III is based on the following interviews: State of Massachusetts: Martin Abramowitz, Director of Research, Department of Public Welfare, October 14, 1977; Rick Anderson, Assistant Secretary for Economic Affairs, October 13, 1977; B. J. Rudman, Assistant Secretary of Manpower Services, October 13, 1977. State of New Hampshire: Richard LaCombe, Director, Division of Welfare, October 14, 1977; Allison Tucker, Division of Welfare, October 14, 1977.)

The income component of the Carter proposal would have a variable impact on the low income population depending on how it compares with the existing welfare system in the state in question, and on the decisions of state officials concerning supplementation of benefits. The difficulties encountered implementing the jobs component would vary depending on existing interagency coordination in each state, and on the ability of state and local governments to handle the new responsibilities. The interviews raise serious questions about the ability of the proposal to fulfill its promise of better jobs and income. Because Massachusetts is one of the leaders in the provision of social services, while New Hampshire is known for its lack of services, an evaluation of the two should provide useful information about the range of possible impacts nationally.

The Cash Assistance Component

The major programs affected by the proposed reform would be AFDC, SSI, GA and Food Stamps. The Food Stamp Program is federally funded, AFDC and SSI are jointly funded by federal and state governments, and GA is funded only by state and local governments. Exhibit 2 compares basic guarantee levels under the Carter proposal with existing payments currently available in New Hampshire and Massachusetts.

In addition to Food Stamps, the welfare system in New Hampshire consists of SSI for the aged, disabled, and blind and AFDC for one-parent families with children. In addition, many of the local governments in New Hampshire operate GA programs for some of those not covered by SSI or AFDC. Our interviews with state welfare officials indicate that New Hampshire is unlikely to supplement federal payments if the Carter reform proposal is adopted.

Assuming no supplementation, and calculating from figures reported in Exhibit 2, postreform guarantee levels would be: (1) approximately 17 percent below current AFDC payments plus Food Stamps for a family of four,⁵ (2) approximately 3 percent above current SSI payments plus Food Stamps for couples and single individuals, (3) approximately 36 percent above current average GA payments plus Food Stamps for a family of four; (4) approximately 11 percent above GA payments plus Food Stamps for single individuals; and (5) approximately 76-106 percent above current Food Stamp values for households eligible for no other form of assistance. The number of welfare recipients would in all likelihood increase under the reform proposal because two-parent families are not eligible for AFDC in New Hampshire, and because there is no state-wide GA program. The U.S. Department of Health, Education, and Welfare has estimated that the reform would provide fiscal relief to the state of \$1.5 million annually [12].

In addition to Food Stamps, the welfare system in Massachusetts consists of SSI for the aged, disabled and blind, AFDC for one- and two-parent families with children, and GA for those not eligible for SSI or AFDC. As reported in Exhibit 2, postreform guarantee levels would be significantly below current benefits for the entire Massachusetts welfare population. Interviews with Massachusetts welfare officials have indicated that state supplementation to maintain real benefit levels for families with children, the aged, and the disabled is a virtual certainty. Supplementation of payments for childless couples and single individuals is unlikely, although it has not yet been ruled out.

Assuming no supplementation, postreform guarantee levels would be: (1) approximately 29 percent below current GA payment levels plus Food Stamps for childless couples; (2) approximately 57 percent below current GA payment levels plus Food Stamps for single individuals. Because Massachusetts already has a comprehensive welfare program, it is unlikely that the number of welfare recipients will increase if the reform proposal is adopted. The U.S. Department of Health, Education, and Welfare has estimated that the reform would provide fiscal relief to the state of \$135.5 million annually [12].

As can be seen from the figures on New Hampshire and Massachusetts, the impact of reform on welfare payments would vary considerably from state to state. In states with limited welfare programs, payments would increase for most of the poor and coverage would expand. In states with generous programs, the impact would be less noticeable, although reform could be used as an excuse to reduce payments to certain "less deserving" segments of the low income

⁵ Dollar AFDC payments have not changed in New Hampshire since 1969, and there is little prospect for increases in the foreseeable future. Since the Carter proposal would not take effect until 1980, it is likely that payment levels would actually exceed those received by AFDC families.

EXHIBIT 2

WELFARE PAYMENT LEVELS ¹

| | <u>Carter Proposal, 1978</u> | | <u>Massachusetts, 1977</u> ² | <u>New Hampshire, 1977</u> ² |
|-----------------------|------------------------------|---|---|---|
| | \$ | | \$ | \$ |
| Families | | | | |
| 4 Persons, 1 Parent | 4,200 | No Work Requirement or No Job Available | 5,299 (AFDC) | 5,052 (AFDC) |
| | 2,300 | Job Search or Job Refused | | |
| 4 Persons, 2 Parents | 4,200 | No Job Available | 5,299 (AFDC) | Not Eligible For AFDC |
| | 2,300 | Job Search or Job Refused | 4,640 (GA) ³ | 3,096 (GA) ⁴ |
| | | | | 2,040 (FS Only) |
| Couples | | | | |
| Aged, Disabled, Blind | 3,750 | | 5,418 (SSI) ⁵ | 3,648 (SSI) |
| All Others | 2,200 | No Job Available | 3,082 (GA) ³ | Not Available (GA) ⁴ |
| | 0 | Job Refused | | 1,128 (FS Only) |
| Single | | | | |
| Aged, Disabled, Blind | 2,500 | | 3,558 (SSI) ⁵ | 2,580 (SSI) |
| All Others | 1,100 | No Job Available | 2,238 (GA) ³ | 1,236 (GA) ⁴ |
| | 0 | Job Refused | | 624 (FS Only) |

Notes:

¹ All payment levels assume zero income from other sources.

² Current payment levels include the cash equivalent of Food Stamps.

³ GA recipients in Massachusetts are usually eligible for rent subsidies of \$25 per month; these are included.

⁴ GA programs in New Hampshire are administered by local governments; only average payment levels for families and single individuals are available.

⁵ Massachusetts payments vary for aged, disabled, and blind; these are payments for aged.

Sources: Herold Doherty, Research and Planning Office, Department of Public Welfare, State of Massachusetts; Bill Harty, Office of Human Services, Division of Welfare, State of New Hampshire; and [16].

population, especially single individuals or childless couples. The overall result would be expanded coverage and reduced interstate variations in payment levels, but significant differences would still exist.

The Job Creation Component

The jobs component of the Carter package, Title IX of CETA, would create 1.4 billion minimum wage jobs with low skill requirements. The jobs would be available only to adults in welfare families with children. According to the most recent projections, 26.3 thousand full-time and 7.4 thousand half-time job slots would be created in Massachusetts, and 3.7 thousand full-time and one thousand half-time slots would be created in New Hampshire [12].

New Hampshire officials are clearly skeptical about the jobs component. They express concern that the jobs might be meaningless make-work and point to difficulties in creating minimum wage government jobs in rural areas as a particularly serious problem. New Hampshire officials have reservations even where jobs can be created that provide useful services and give participants meaningful work experience. They note that only adults in families with children would be eligible for the jobs, and that these adults would be required to work or face drastic benefit reductions. The combination of work requirements and limited eligibility may result in a situation where those employed are not suited to the jobs and stand to gain little from the experience while other welfare recipients who would better fit the positions and gain more would not be eligible. New Hampshire officials do not see the creation of minimum wage jobs as a cure for welfare dependency and would prefer an emphasis on preventative programs such as skill training.

Massachusetts manpower officials are much more optimistic about the jobs program. They note that work requirements for welfare recipients have been unenforceable in the past because jobs were not available. The Carter proposal makes work requirements reasonable by making jobs available. Massachusetts officials, in a reversal of the New Hampshire response, express the concern that the jobs component is too small. They believe that a virtually unlimited number of useful minimum wage jobs could be created and argue that jobs should be made available to all adults receiving welfare payments. The officials note that welfare recipients should be employed in special projects and separated from other employees in order to avoid confrontations with public employee unions.

The responses to the jobs program are not surprising given the political orientation of the governors of the two states. States with conservative administrations are likely to be critical of government job creation, while those with liberal administrations are likely to be more positively inclined to the idea. This does raise the possibility that political opposition to the job creation approach might interfere with successful implementation of the program were it to pass. This eventuality would match the experience under other titles of CETA where politics have played a role in the diversity of effectiveness [8]. The New Hampshire concern about rural areas and the Massachusetts concern for the response of public employee unions are indications that the job creation component would encounter a variety of stumbling blocks in different settings.

Reform of Welfare Administration

A major goal of welfare reform is administrative simplicity and a corresponding reduction in the welfare bureaucracy. The Carter administration projects an overall reduction of 20-25 percent in the welfare staffs of the federal, state and local governments as a result of the consolidation of AFDC, SSI, GA, and Food Stamps into a single cash assistance program. As noted above, although welfare will be simplified the proposal calls for greater coordination between welfare and manpower agencies, promises an improved job placement and training effort, and greatly increases the number of jobs created by CETA

sponsors. We questioned officials in New Hampshire and Massachusetts concerning the impact of these changes on staffing requirements and administrative procedures.

Because the New Hampshire welfare program is operating on a tight budget with a skeletal staff, it is unlikely that reform would result in a contraction of the bureaucracy. New Hampshire officials are concerned that the increased coordination required among the welfare department, CETA sponsors, and the employment service would cause serious administrative difficulties. Furthermore, there is a strong suspicion that the federalization of welfare would merely produce more regulations and therefore intensify bureaucratic red tape.

Again, Massachusetts officials are more optimistic. They indicate that a significant degree of coordination among the departments concerned already exists. Furthermore, a jobs program for welfare fathers which will begin in 1978 will give Massachusetts considerable relevant experience and an opportunity to work out any unforeseen coordination difficulties ⁶ [6]. However, officials are not sure that major staff reductions would be possible. The Carter package would simplify cash assistance but would not affect the various social services provided by welfare agencies. Without major cutbacks in social services, an unlikely event in Massachusetts, major staff reductions would be unlikely. Even if there were some reduction in the welfare bureaucracy, officials agree that this would have to be counterbalanced by an expansion in employment service staff in order to fulfill the promise of improved job placement for the welfare population. Massachusetts officials are confident that the new jobs program could be handled effectively by existing CETA personnel.

While we are somewhat skeptical of the optimism of Massachusetts officials concerning the administration of the proposed reform, it is quite possible that in states where extensive welfare and CETA bureaucracies already exist the difficulties outlined in Section II would be minimal. However, since most states have done far less in the area of social services than Massachusetts, the net impact would likely be more drastic in other states as the New Hampshire response seems to indicate. At any rate, both states confirmed our preliminary observation that major savings in administrative costs would be unlikely.

IV. Conclusions

Our major conclusions concerning the Carter welfare reform package, based on interviews and our own evaluation, are as follows: (1) The increased coordination required between welfare agencies, CETA, and the employment service on the state level and between the state agencies and the federal government, would be more difficult than the Carter administration admits. Therefore, administrative simplicity and shrinking bureaucracies are not likely to be accomplished. (2) Work requirements are unnecessary and restrictions on eligibility for created jobs are unwise. If the created jobs were meaningful and attractive, people who would benefit from employment would apply. More attention should be given to the services to be provided to the community by the jobs program and to the quality of the jobs, with less emphasis on work requirements and eligibility restrictions. (3) The proposal would reduce differences in welfare payments among the states by raising the floor, but the option of supplementation assures that significant variation would remain. (4) A major contribution of the proposal would be to extend payments to many low income people who have not been covered in the past. (5) The proposed reform would replace 55 different welfare systems, each with complex eligibility

⁶ The jobs program for welfare fathers, usually referred to as the "Dukakis Workfare Program," is similar in many ways to the Carter proposal [6].

requirements, with a single welfare system with complex eligibility requirements. Thus, consolidation rather than simplicity is the hallmark of the package. There are dangers that the inflexibility of homogeneous standards would create new inequities by making it difficult for welfare agencies to deal flexibly with the needs of individual clients. (6) Fiscal relief to state and local governments would result, a major selling point of the proposal.

It is our conclusion that the welfare reform package could never fulfill all of its promises because it attempts to achieve inconsistent objectives. If administrative simplicity and equitable treatment are the major goals, a pure cash negative income tax without work requirements would be far superior to the Carter proposal. If the major concern is poverty reduction, a greatly expanded job creation effort with an emphasis on quality jobs paying wages comparable to the lower range of civil service positions would be a more effective option.⁷

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⁷ We do not feel that this article is the appropriate forum for a more extensive discussion of these final observations. For more detail on the advantages of a pure cash negative income tax see [2]. For an explanation of the poverty reducing potential of a more substantial job creation effort see [4, 5].