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WORK REQUIREMENTS AND WELFARE PARTICIPATION: ANALYZING THE EFFECTS OF THE JOBS PROGRAM

A Dissertation

SUBMITTED TO THE GRADUATE FACULTY

In partial fulfillment of the requirements for the

degree of

Doctor of Philosophy

By

KENNETH KICKHAM
Norman, Oklahoma
2000

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ANALYZING THE EFFECTS OF THE JOBS PROGRAM

A Dissertation APPROVED FOR THE
DEPARTMENT OF POLITICAL SCIENCE

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ABSTRACT

The 1996 welfare reform relies heavily on work as an antidote to "dependency." But have we any reason to expect work requirements to spur people to leave welfare? Recent experience provides an opportunity to analyze the effects of work requirements. The Job Opportunities and Basic Skills (JOBS) program was created as part of the Family Support Act of 1988 (FSA), a welfare reform that established work requirements for recipients of Aid to Families with Dependent Children (AFDC). JOBS can be thought of as a case study in work requirements. Since the 1996 reform relies on work requirements to reduce welfare participation, it is easy to justify a search for empirical evidence of that connection. This research analyzes the impact of the JOBS program in the American states. The effects of work requirements are estimated within a quantitative model of AFDC participation that draws heavily from two theoretical perspectives.

The results generally support development and rational choice theories. However, work requirements associated with the 1988 reform have not significantly affected AFDC participation rates. The estimate of JOBS' impact is negative, as expected, but quite small. A percentage point

increase in JOBS participation is associated with a decline in AFDC recipiency the following year of just 0.008 percentage points. When the model is applied to a real case, the magnitude of JOBS' effect on AFDC participation ranks ninth among ten variables.

CHAPTER 1

INTRODUCTION: WHY ANALYZE JOBS?

Progressive political movements of the early twentieth century ushered the United States into the community of welfare states. Mothers' pensions, which appeared at the state level in 1911, took the first step toward large-scale government assistance to economically distressed households. The national government intervened two decades later, when President Roosevelt signed the Social Security Act of 1935. Included in this landmark legislation was the Aid to Dependent Children (ADC) program, which directed the states to establish and maintain public assistance programs. ADC was viewed as an acceptable corrective to a poverty problem that was greatly exacerbated by a depressed economy. In the decades since the Great Depression, however, the American welfare system has lost political capital.

Most Americans now think of the welfare system as a major national problem. This tarnished image evolved gradually, as did a belief that entitlements spawned dependency on government assistance and trapped people in a culture of poverty (Sundquist 1986, 518; Wilson 1987). In 1935, mothers with children were not expected to work outside the home; but the Second World War cast mothers into the labor force. By 1962, when ADC was revamped into Aid to Families with Dependent Children (AFDC), ideas about welfare were already changing in response to the feminization of the labor force (Johnson and Tafoya 1999, 3).

Social unrest of the 1960s, and a conservative backlash that followed, also altered the landscape of welfare politics (Sundquist 1986, 529). Issues relating to gender, race, budgets, incentives and fairness complicated the discussion. The old welfare system was accused of harming mothers and African-Americans by excusing them from work. Taxpayers resented government support for second-generation welfare recipients. Politicians from both parties hatched plans to get people off welfare. The main themes of the reform movement have been individual responsibility and work.

The Work Incentive (WIN) program, established in 1967, was the first nation-wide effort to stimulate work through economic incentives and varying degrees of coercion (Ostow and Dutka 1975, 72). The focus on incentives is symbolized by earnings disregards, which allowed working recipients to keep more of their earnings. WIN also forced the states to establish work programs and sanction recipients for noncompliance. These policies represent an important philosophical step toward serious reform. At the street level, however, WIN did little more than create a "substantial amount of hassle and inconvenience for those on the rolls" (Teles 1998, 95).

Despite WIN's failure (Gordon 1978), most experts continued to harbor faith in welfare-to-work policies. The next manifestation of this thinking was the 1988 Family Support Act (FSA) and its centerpiece, the Job Opportunities and Basic Skills (JOBS) program. JOBS, a labor activation program, was designed to facilitate transitions from welfare to work. The work requirements and sanctions contained in JOBS legislation weakened the entitlement status of welfare, leaving it vulnerable to subsequent reforms.

Prior to 1996, certain people (single mothers, primarily) at certain low levels of income possessed a right to public assistance across the United States. Thus, AFDC was a means-tested entitlement. By the middle of the 1980s, however, it had become politically feasible to require work in exchange for the welfare benefit. This made the welfare check more like consideration in exchange for performance, and less like an entitlement.

On August 22, 1996, President Clinton signed into law the latest welfare reform--the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (P.L. 104-193), also known as the Welfare Reform Act of 1996. The 1996 reform abolished AFDC and created in its place a program called Temporary Assistance for Needy Families (TANF). The TANF program is based on the notion that welfare should be temporary or transitional, but not a way of life.

Expanding welfare rolls indicate widespread dependency; so, the best approach to human services is the one that will get the most people off the dole. Welfare to work initiatives hold down caseloads in two important ways. JOBS and TANF both contained substantial provision for support services, like child-care subsidies, to help people up from dependency. Also, the work requirement leads to sanctioning, and eventually termination of the benefit, for those who refuse to comply. AFDC participation[1] has indeed declined precipitously since the stiff work requirements

[1] In this study, the terms "participation" and "recipiency" are used interchangeably.

associated with the 1996 reform were implemented. Policy analysts disagree, however, as to work requirements' demonstrable impact on welfare rolls.

The timing of JOBS suggests that work requirements can contribute to reductions in public assistance rolls. This presumed effect is part of the justification for requiring public aid recipients to participate in work activities. This view is affirmed in the 1996 reform, which again puts faith in the efficacy of work requirements. But is this faith warranted? Can reform policies, specifically work requirements, reduce the proportion of the population on welfare? The 1988 welfare reform provides a case study in the effects of work requirements. By estimating the effect of JOBS on AFDC participation, we can partially answer the question of whether work requirements are effective in decreasing welfare rolls. Field studies indicate that JOBS did move recipients from welfare to work under certain conditions in certain states (Gueron and Pauly 1991; Mead 1995, 7).

The downward shift in AFDC caseload growth beginning in 1992 (see Figure 1) has enhanced the rhetorical currency of work requirements. This is because JOBS was fully implemented in all states by 1991. Given a year to work,

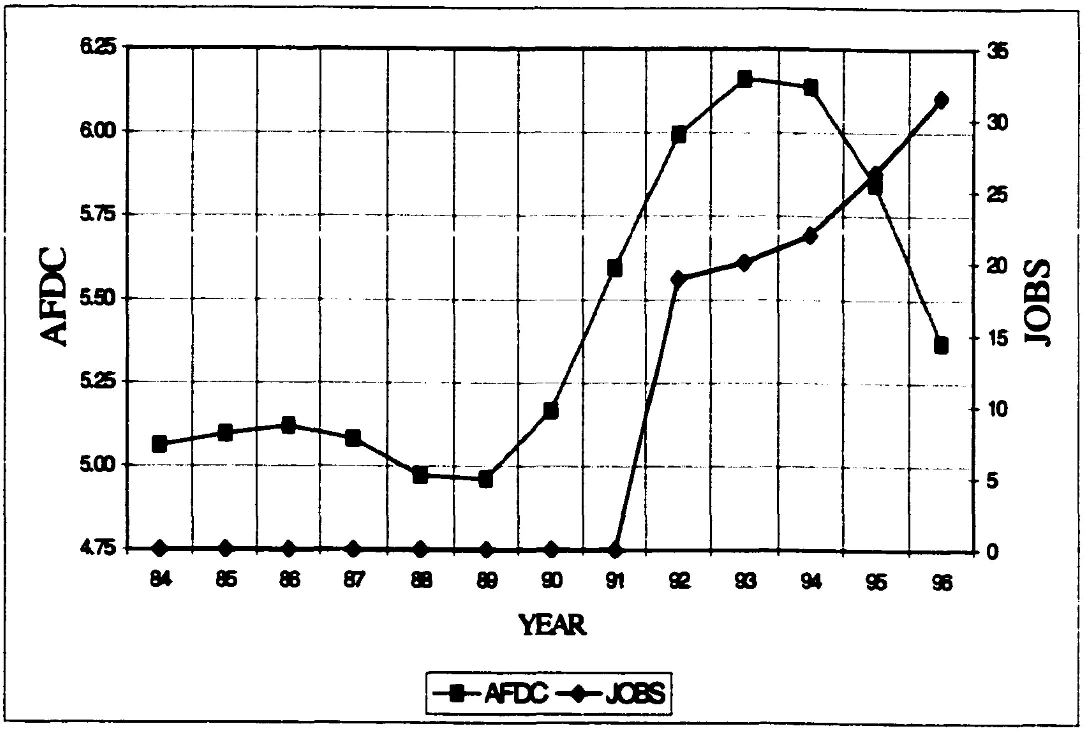

Figure 1. AFDC and JOBS Participation Rates, 1984-1996

Note: AFDC is the mean [N=50 states] of AFDC recipients per 100 people below age 65. JOBS is the mean JOBS participants per 100 non-exempt AFDC participants (lagged one year).

JOBS may have contributed to the 1992 slowdown and, from 1993 on, actual reduction of the participation rate. Declining rolls suggest a potential for reducing the size of the AFDC population with work programs. According to Mead (1997, 121-122), however, the dependence of program outcomes on local administration suggests the potential for wide variation across states. As Lurie (1998, 103) notes, "each state tends to put its own spin on welfare reform."

Some studies (Council of Economic Advisers 1997; Gueron and Pauly 1991; Mead 1995; Friedlander and Burtless 1994; Schiller and Brasher 1990, 1993) find positive results from welfare-to-work programs. The well-known work of Lawrence Mead (1988; 1995; 1997) casts an especially favorable light on the work strategy. Other research suggests that reforms had little to do with the decline in welfare participation (a recent example is Ziliak et al. 1997, 32). Abundant research instead connects economic and social forces with AFDC participation, thereby minimizing the importance of policy (Barr and Hall 1981; Fording 1997; Hicks and Swank 1983; Moffitt 1992; Plant 1984).

This research adds to the literature a performance analysis of JOBS across all fifty states over the last thirteen years of AFDC. The latter half of the time series is the post intervention era—the intervention being JOBS. The more recent, and more aggressive, welfare reform legislation of 1996 again relies heavily on work requirements to reduce welfare dependence. An inverse relationship between work requirements and welfare caseloads has been assumed for some time. However, previous research on work incentive programs has been inconclusive. The presumed effect remains an empirical question. This research attempts to answer the empirical question of whether work requirement policies reduce welfare participation rates by analyzing the impact of the JOBS program in the American states.

Testing for statistically significant effects from a policy variable can serve three purposes. First is the practitioner's desire to evaluate programs regarding desired effects and actual effects. The second desire served is the political scientist's hope of finding abstract theories and empirical data that somehow fit together. Finally, the most important reason to evaluate work requirements involves welfare recipients themselves. These three justifications are discussed in detail below.

Three Justifications for Evaluating JOBS

The most obvious justification for studying JOBS might be put forth by an administrator in a state Department of Human Services. Welfare practitioners need to know if the program made a difference, especially since work programs have not changed much since the enactment of TANF. Other justifications may not be as obvious. Theorists, for example, might investigate welfare with different motives. They use the welfare policy arena as a proving ground for theoretical conjectures. Perhaps the least obvious justification for studying welfare reform is the effect it has had on the rights of citizens. These three parties to the welfare debate--practitioners, theorists and citizens--are discussed in this section. Then, the next section offers a justification for the research design employed in this particular study.

Practitioners

The main goal of welfare reform is to move recipients off the welfare rolls. At the same time, policymakers at all levels in the federal system appear convinced that state-level flexibility is the best way to accomplish this goal (Teles 1998, 179). In fact, according to Jencks (1997, 1), the most important feature of the 1996 welfare reform is the transfer of power from Washington to the states. It is now within the scope of state government to develop criteria for delivery of benefits and determining eligibility.[2] Congress and the president agree that states rather than the national government should decide how welfare is done (Cammisa 1998, 72). Policymakers have also agreed, for some years now, that work is the primary answer to welfare dependency.

The 1996 reform, a product of long-awaited consensus, fundamentally altered public assistance programs in the American states. Under prior law, AFDC provided income support to families with children deprived of parental support. The new law combines the old public assistance function (AFDC), Emergency Assistance (EA), and the training/employment function into a single block grant to states called Temporary Assistance for Needy Families (TANF).

TANF is all about personal responsibility, and this concept is embodied in the new time-limited nature of

---

[2]Federal direction is now more limited, but states must still incorporate certain legislative priorities. States are required to comply with national standards in several areas, including time limits on welfare participation, work requirements, appropriate work activities, penalties for drug- related convictions, teen parent provisions, access to Medicaid, establishment of paternity, child support enforcement, immigrants, child-care assistance, and Food Stamp eligibility.

welfare benefits. In most cases, federal TANF funds are forbidden to recipients who have received assistance longer than two years at a time or five years in all. States are free to set time limits more strictly, however, and many of them have done so. Policymakers await with great interest the effects of time limits on recipient families, because the most likely to be affected by time limits are those where labor market participation is highly problematic. Long-term welfare recipients typically encounter many barriers to employment. The question is how these people will survive when time runs out.

As a block grant, TANF provides a fixed annual appropriation of funds from the federal government to each state. States receive a finite amount of federal welfare dollars. This funding constraint did not exist until the 1996 "block-granting" of public assistance. Previously, federal dollars were uncapped, allowing states to meet unanticipated need. All persons who met the federally-prescribed eligibility criteria, most having to do with income, were legally entitled to an AFDC benefit. States established their own benefit levels, but they could not withhold the benefit from an eligible claimant.

Under AFDC, individuals were entitled to assistance indefinitely as long as income and other eligibility criteria were met. Certain individuals also received guaranteed child-care benefits, while states received uncapped federal matching dollars for program expenditures. Benefits were guaranteed to eligible individuals, even in recessions and economic downturns. With TANF, the individual entitlement to means-tested assistance vanished. The 1996 legislation marked the end of a welfare program that had been in place since 1935.

TANF ended the individual entitlement to public assistance, leaving states free to abandon means testing as a basis for eligibility. The legal connection between the federal government and the individual transformed into a different kind of relationship between individuals and their state welfare agencies. States had to develop public assistance plans reflecting a sense of Congress that welfare should be a short-term, transitional experience, but not a way of life. While the termination of the individual entitlement was new, state-level attempts to put recipients to work were not.

TANF, with its focus on work and sanctions, is philosophically similar to WIN. Therefore, the same factors that dampened WIN's effectiveness could occur with TANF. With WIN, the main lesson is that more could have been done administratively to enhance the impact of welfare reform (Nathan 1993). According to Mead (1985, 249), many welfare agencies implemented WIN reluctantly, without aggressive enforcement of work requirements. However, even if managers had embraced WIN and pressured clients to join the labor force, success may not have followed. Chadwin et al. (1981) studied 214 WIN demonstrations and found them hindered by local environmental factors beyond the control of managers.

Even before WIN, the 1962 Amendments to the Social Security Act allowed states to experiment with work programs. States could receive exemptions, called "1115 waivers," from federal welfare rules if they could present an acceptable alternate plan. While this certainly could have turned out to be a significant devolution of power to the states, the states did not take advantage right away. In 1986, however, the Reagan Administration developed a strategy to unleash state-level innovation.

The Reagan strategy was presented in December 1986, when the Domestic Policy Council (1986, 51) recommended creating "the proper climate for innovation by giving states the broadest latitude to design and implement experiments in welfare policy." This climate for innovation appeared when the administration began granting waivers for state demonstration projects.

The Secretary of Human Services granted a small number of waivers under Reagan, but the strategy gathered momentum during the Bush administration (Council of Economic Advisers 1997, 3). By 1996, 35 states held major, statewide waivers, most imposing sanctions for failure to meet work requirements (Council of Economic Advisers 1997, 3-4). Presidents Bush and Clinton granted the majority of these waivers, but the work requirements themselves date back to the Kennedy administration. These waivers, their associated demonstration projects, and upbeat evaluations performed by the Manpower Development Research Corporation (MDRC) helped convince Congress to pass the FSA (Johnson and Tafoya 1999, 4; Mead 1997, 115; Schiller and Brasher 1990, 665; Szanton 1991, 590-602;).

MDRC is a private organization that conducts welfare-to-work field experiments. These prominent random assignment experiments provided a wealth of information to policymakers. MDRC's experimental studies "were a welcome departure from previous studies that had been commissioned by the states" (Brasher 1994,515). State evaluations often included only the most employable recipients, thereby undermining the generalizability of the findings. MDRC studies more rigorously observed the principle of random assignment. The MDRC agenda

> focuses on one major element of all recent proposals to redesign welfare with the goal of encouraging self-support and reducing long-term welfare receipt: requiring people on welfare to participate in employment-directed services (Gueron and Pauly 1991, 5).

MDRC evaluations of this "work first" approach, which seeks to match clients with unsubsidized employment as quickly as possible, indicate that a mixed strategy is most effective (Brown 1997, 2-3). Programs showed better results when a full range of services and work activities were made available. Both the carrot (support services) and the stick (mandatory participation) were effective. Success required "a commitment of adequate resources to serve the full mandatory population (and) enforcement of participation requirements" (Brown 1997, 4).

MDRC's findings are complex. Gueron and Pauly (1991, 24-35) report

- high participation rates among the targeted people in the broad-coverage programs;

- low participation rates overall, usually falling short of the rate prescribed by JOBS;
- modest earnings gains that would be insufficient to move many people out of poverty;
- favorable cost-benefit results in San Diego, where every dollar spent saved the government $3; and,
- less favorable cost-benefit results with the more expensive programs, suggesting a "diminishing returns" effect.

Critics point to several problems with the MDRC evaluations. Friedlander and Burtless (1994, 32) note that approaches differed across cities. What worked in San Diego or Riverside did not work in Baltimore, Oakland or Los Angeles. JOBS evaluations did show that clients can be pushed into JOBS without too much difficulty; however, earnings remain very low and long-term self-sufficiency is by no means the norm (Friedlander and Burtless 1994, 33).

According to Brasher (1994, 515-16), "the MDRC programs are far from what could be construed as a rigorous evaluation of mandatory work programs." The program participation rates were low, and participation was short-term. In addition, the two- to three-year time horizon for most of the studies did not permit adequate follow-up duration. This diminishes what the studies can reveal about the least employable clients. Finally, the Hawthorne effect came into play because administrators knew their programs were being evaluated. Mead (1997, 116) also finds fault with the site-based experimental approach, concluding that generalizations from the findings are "judgmental at best."

Although it was, at the time of its enactment, the most ambitious welfare-to-work program in American history, JOBS was a somewhat watered-down reform. The FSA allowed states to penalize recipients for failing to work or participate in work activities. States, for their part, were required to get nonexempt people participating in JOBS at prescribed rates, which were set at 7 percent in 1990 and 1991, then 11 percent in 1992 and 1993. Fifteen percent participation in JOBS was required by 1994, and 20 percent by 1995 (U.S. Congress 1990, 619). According to Mead (1997, 114), most states enforced the participation requirements.

Analysts at the Congressional Budget Office (CBO), however, did not expect great things from JOBS. In 1990, prior to full implementation of JOBS, the CBO projected that "families off AFDC as a result of JOBS" would number 50,000 by the end of 1993 (U.S. Congress 1990, 618). This effect, which equates to roughly 150,000 persons over a five-year period when the AFDC population ranged from 11 million to 14 million, is quite modest.

Glazer (1995, 24) comments on the program's "remarkably limited numerical goals" for moving people off welfare. Nathan (1993) lists rising state budgets and the national recession as constraints limiting the states' response to JOBS. Many states had a hard time finding the money necessary to maximize federal matching funds available under FSA. Because of such constraints, in an average month from 1991 to 1993, JOBS served only about 11 percent of AFDC parents (U.S. General Accounting Office 1994, 2). This is not encouraging, because the success of JOBS is dependent on the participation of recipients (Mead 1995, 9).

Nevertheless, most observers consider the JOBS program a serious effort to move recipients off assistance rolls (Jennings and Krane 1994, 343; Marshall and Kamarck 1993, 226; Pavetti et al., 1996). FSA required individuals to participate in work or work-related activities in exchange for continued assistance. States were required to provide basic and secondary education, English as a Second Language programs, job skills training, job development and placement and job readiness. States were also required to offer at least two of the following work activities: job search, on-the-job-training, work supplementation, or the community work experience program. Perhaps these programs provided the proper incentives, or eased work transitions, for thousands of recipients. Perhaps they did not. The aggregate effect of JOBS on AFDC recipiency remains an open question.

Schiller and Brasher (1990) point out that even the threat of a work requirement may have a significant deterrent effect on potential recipients. When viewed as an attempt to alter incentives for single mothers, the work requirement inspired optimism about reducing public assistance rolls. Positive effects may also be realized by assisting individuals entering the workforce. Researchers at the Urban Institute report that the JOBS program had been well-utilized in at least six states as a means of delivering specialized services to job-seekers facing personal employment challenges (Pavetti et al. 1996, 2).

During the last decade, a cottage industry of welfare research has sought to enumerate the successes and failures of reform initiatives. The sheer volume of research on welfare reform indicates the practical utility of evaluating JOBS. Policymakers and welfare departments want to know if the "work" strategy works. This practical utility of welfare research is obvious. Perhaps less obvious is the fact that welfare reform provides an opportunity to evaluate social science theories in the context of a compelling political discourse.

Theorists

Welfare research is about the here and now, no doubt. However, evaluating welfare policy also lets the researcher evaluate important theoretical traditions. This study, for example, evaluates two major theoretical perspective vis-a-vis welfare participation. The effects of work requirements can be estimated within a model of AFDC participation that draws from the developmental and rational choice perspectives.

Many social scientists display an enduring interest in the causes of variation in welfare caseloads. These scholars desire a theory of welfare participation, or at least theoretical guidance in sorting out the evidence. Empirical evidence is inconclusive, so far, as to whether JOBS held down AFDC caseloads; so, what does theory suggest?

A structural view suggests that reforms like the FSA make little difference in the war against poverty. The societal pathologies associated with modernization and economic maturity are not likely to bend to the will of policymakers. On the other hand, an individualistic interpretation of poverty leaves room for the possibility that policies can affect behavior. Rational choice theory suggests that transforming the behavior of individuals is not only possible (through the manipulation of incentive structures), but is potentially the key to reducing the welfare rolls.

Theorists in the so-called "modernization" tradition would be skeptical of JOBS, while rational choice scholars would be more optimistic about the program's effect on welfare caseloads. Theoretical tension arises from these opposite expectations of JOBS's impact on AFDC. Still, there have been no systematic attempts to assess the efficacy of JOBS in a broad context over time. This is somewhat surprising, since favorable evaluations of JOBS would validate the rational choice perspective and, at the same time, buttress political support for the work requirements contained in PRWORA.

In Chapter 2, theoretical underpinnings of this research are explored in three sections. Chapter 2 describes the modernization perspective and explores Western conceptions of social rights. A structural interpretation of social phenomena relates directly to welfare participation in the American states. In theory, the more "modern" jurisdictions embrace the idea of social rights more readily. Gronbjerg's (1977, 8-17) "mass societies" perspective emphasizes economic development and modernization as indirect determinants of AFDC caseload size, and provides important theoretical guidance in modeling caseload variation.

Following a different tradition, rational choice scholars proceed from the assumption that individuals weigh alternatives before choosing public assistance. Chapter 2 also explores the implications of rational choice theory, and offers an economic interpretation of public assistance. Together with the developmental perspective, assumptions about individual behavior, rationality and self-interest provide a general blueprint for modeling welfare participation rates.

Rational choice theory has also been applied to state policy decisions. Case et al. (1989, 26), for example, find that a state government's level of per capita welfare expenditure is positively and significantly affected by the expenditure levels of its neighbors. Tweedie (1994, 667) finds that "low benefit states respond to other states' benefits by increasing their own benefit levels." The rational behavior of states can be characterized as policy diffusion (Collier and Messick 1975), convergence (Bennett 1991) or borrowing (Rose 1991). In any case, the rationality of states has prompted investigations into the possibility of a "race to the bottom" in welfare benefits. It is appropriate, therefore, to include interstate policy influences in the discussion of rational choice.

The ultimate purpose in defining a theoretical framework is to square these theoretical traditions with the economic and political realities of the late twentieth century. Welfare policy should be informed by analyses that explicitly address connections between theory and practice. These connections, which exist in the world of welfare, are important because they materially affect people's lives. This final justification for evaluating work and welfare is perhaps the most important from the point of view of a welfare recipient. If the work requirements associated with the 1988 reform have not significantly affected AFDC participation rates, then increased reliance upon "work" as an antidote to welfare may be justifiable in theory only.

<u>Welfare Recipients</u>

The purpose behind welfare reform is to reduce or eliminate evils that have become part of the system. These evils have been lamented in a voluminous academic literature. A handy symbol of welfare reform in the American states can be found in *Mandate for Change* (Marshall and Schram 1993), President-elect Bill Clinton's policy blueprint. Clinton and his Democratic Leadership Council (DLC) rejected the old Left-Right dichotomy in favor of a politically promising centrist agenda. Part of the centrism involved addressing old welfare problems in new ways. It was apparently the right time for Democrats to agree with Republicans that government was part of the problem.

The new consensus emphasized "mutual obligation" and "reciprocal responsibilities" (Reischauer 1987, 4). Implicit in the new consensus is a belief that single mothers alter their behavior in response to welfare policies. According to this perspective, an individual decision to receive public assistance is a "rational choice" based on calculations of self-interest (Friedman 1962; Lampman 1965; Tobin 1965). During the 1960s, for example, Medicaid attracted large numbers of single parents to the AFDC rolls (Albritton 1979; Blank 1989; Moffitt 1992). The 1996 reform reflects a "rational choice" perspective, emphasizing personal responsibility and work.

Clinton's New Democrat welfare critique speaks in unison with William Julius Wilson, Lawrence Mead, and other conservatives. As Teles (1998) demonstrates, there is a strong consensus among liberals and conservatives about the evils of the old welfare system. Welfare was too expensive. Eligibility rules penalized marriage and rewarded out-of-wedlock births. Work was not encouraged. People became trapped in a culture of poverty and a cycle of dependency. *Mandate for Change* prefaces recommendations with these "four failures" of policy. The recommendations sound almost exactly like TANF, albeit three years early.

Chapter 10 of the Clinton blueprint is called Replacing Welfare with Work (Marshall and Kamarck 1993, 217-236). The Clinton strategy is organized into four themes, articulating a shift from income maintenance to individual empowerment.

First, welfare reform should make work pay. The proposal was far-reaching. Instead of paying people to stay on welfare, the plan advocated a comprehensive strategy to transfer welfare expenditures away from traditional public assistance payments. Wage supplements were extolled as a means to make work pay, "so that recipients will not be worse off if they take a job" (p. 228). Forcing an end to welfare entitlements suggested the need for public employers of last resort. Making work pay also involved other strategies. Rounding out the plan were proposals for expansion of the Earned Income Tax Credit, universal access to health care, coordination with private sector employers, and the encouragement of private enterprise and private home ownership among the working poor (pp. 229-31).

Second, reform should strengthen families and assure child support. As the following paragraph indicates, the proposal bluntly associates welfare receipt with behavior patterns of the underclass.

> The breakdown of families, though not exclusively a problem of the poor, lies at the heart of the self-defeating patterns of behavior that help perpetuate the urban underclass. The poverty rate for families headed by single mothers is six times that of two-parent families. Social researchers have found strong correlations between single-parent families and high rates of crime, teen-age pregnancy, gang membership, and welfare dependency (Marshall and Karmack 1993,

231).

This mix of images suggested to Clinton's team a need for stiffer child support enforcement and the removal of disincentives to marry. According to this logic, mothers who feel free to marry are a step closer to self-sufficiency.

Third, welfare reform "should stress community initiative and empower the poor, not the social service providers" (Marshall and Karmack 1993, 231). The DLC's advocacy of "reinventing government," particularly looking away from bureaucratic rigidity, fits welfare reform. *Mandate for Change* proposed a transfer of power from social service bureaucrats to business leaders. Vouchers for programs like child care, home health care, employment training, care for the disabled, and counseling were proposed as a way to open up the social services to competition from private sector providers. This proposal critiques welfare professionals with the same "reinventing government" scrutiny that has visited virtually every public endeavor. It espouses an enabling strategy that "encourage(s) businesses to enter the market for social provision" (Marshall and Karmack 1993, 232). The message is that all elements of the old system have been corrupted, and cannot have a place in the new system.

Finally, welfare reform should "buttress America's basic values, especially reciprocal responsibility" (Marshall and Karmack 1993, 233). The two-year time limit was described as "a first and critical step toward ending welfare as a way of life" (p. 229). Entitlements were to have no place in the new world of individual responsibility. As Cox (1998b) has observed, the receipt of benefits is now frequently conditioned upon behaviors. So welfare receipt is now conditional, depending on "recipients' willingness to work and strive toward self-sufficiency" (Marshall and Karmack 1993, 233). The assumption underlying a new emphasis on personal responsibility would appear to be that people are on welfare because they are irresponsible.

The goal these reform methods reveal seems obvious--caseload reduction. Caseload reduction assures us that we are helping people out of dependency. We don't want people on welfare; we want them off welfare and in jobs, both for their own good and for the benefit of society. But what can be done to reduce caseloads? One potential strategy involves work requirements. Mead (1995, 4-7) finds that JOBS had a significant negative effect on caseloads in a cross-sectional analysis of the fifty states. Mead correctly points out, however, that a better test of JOBS would incorporate a time dimension (p. 5).

Freeing the poor from a perverse and pathological welfare system is good for the poor, and for everyone else. Reform methods aim more at caseload reduction than at anything else. States are required to reduce caseloads, not to devise innovative ways of delivering comprehensive social services. The standard against which welfare reforms must be compared is obvious--did the reform reduce welfare recipiency rates?

The switch from AFDC to TANF reflects a desire to make employment relatively attractive by manipulating the costs and benefits associated with public assistance. Work requirements increase the cost of being on welfare; time limits reduce the benefit. While it is possible that work requirements and time limits will spur some single mothers up from dependency, these policies could also harm social service clients.

State innovation under TANF opens the door to policies that can affect families positively or negatively. Copeland and Meier (1987), for example, show that WIC and Medicaid have reduced infant mortality rates; but Meier and

Holbrook (1991) find diminished effects in states where federal funding for the programs was not aggressively pursued. Garfinkel et al. (1994) conclude that a properly functioning child support collection system would significantly reduce child poverty. These studies demonstrate that policies, particularly state policies involving social service clients, affect family health and well-being. Policies carry consequences. This fact compels us to evaluate welfare reform.

The most important question for policymakers following a shift to TANF is its effect on welfare caseloads. If time limits and work requirements associated with JOBS slowed the growth in caseloads, TANF may succeed in lifting parents up from dependency. Recognizing, however, that other potential consequences run counter to the traditional social service goals, state legislatures are devoting substantial effort and resources to systematic evaluations of their TANF programs. The results are mixed.

The Urban Institute supports ongoing research into the effects of welfare reform. Acs et al. (1998, 3-5) review several findings related to work outcomes:

1) as a family moves from no work to part-time work at minimum wage, its total income grows dramatically;

2) as a family moves from part-time work to full-time work at minimum wage, its total income grows by 20 percent, on average;

3) as a family moves from full-time work at minimum wage to full-time work at 9 dollars an hour, its total income grows by 16 percent, on average;

4) the federal Earned Income Tax Credit (EITC) is responsible for a considerable portion of the increase in income as families move from welfare to full-time minimum wage work;

5) federal housing assistance can also affect work incentives, but only 20 percent of families on cash assistance receive housing aid;

6) in the absence of subsidies, the cost of child care could serve as a significant deterrent to work;

7) research has shown that the loss of Medicaid benefits upon leaving AFDC was a significant deterrent to leaving welfare; and,

8) lifetime time limits on the receipt of TANF benefits provide an incentive to leave welfare for work.

It seems clear that working can improve a family's situation. However, we still don't know if work requirements get people working.

Welfare reform may reduce the rolls and put people to work, but TANF is difficult to evaluate statistically, at the aggregate level, at this early time. Scholars and human service professionals eagerly await time-limit evaluations, which might appear within the next few years. Of equal interest is the effect of the work component. TANF's work requirement is patterned after the 1988 policy. In order to understand the potential effects of TANF's work requirements, an investigation of the effectiveness of the 1988 JOBS program is warranted. This research examines aggregate results from JOBS, which has now run its course as a national program.[3] Before embarking on the analysis, however, it is useful to review the research of Lawrence Mead. Like the MDRC studies, Mead's analyses are taken seriously by policymakers.

JOBS and AFDC Participation: The Work of Lawrence Mead

Mead's analysis of welfare reform in Wisconsin has had great influence among policymakers. A 1995 report, *The New Paternalism in Action*, demonstrates a statistically significant association between JOBS participation and

[3] Many states retain certain components of their JOBS programs, as is their prerogative under TANF.

slower growth in caseloads (Mead 1995, 8). Mead's analysis is important, warranting closer attention at this point.

The New Paternalism in Action is important because of Lawrence Mead's stature as a social scientist, and because it is a very competent defense of the conservative perspective. The influential report begins with a sketch of the major issues, which are listed below (from Mead 1995, 4):

- "The controversy. . .is mostly about the long-term recipients, those who stay on welfare more than about two years at a stretch."
- "The public would like welfare to provide a brief respite to people who, through divorce or joblessness, have fallen on hard times; it is dismayed to find that, for many, dependency has become a way of life."
- "Families become poor and go on welfare because mothers have children out of wedlock and do not work to support them."
- "These contrasts in lifestyle between the dependent and the nondependent drive welfare politics. The chief issue is who is responsible for the

differences and what to do about them."

- "Conservatives blame the disincentives inherent in welfare, which appear to pay the recipients not to marry or work."

The new paternalism recognizes two problems—illegitimacy and failure to work. Of course, everyone wishes the rate of out-of-wedlock births to fall, but not much can be done. According to Mead (1995, 4),

> the public opposes illegitimacy, [but] is ambivalent about combating it because of the required intervention in families, nor have policymakers found any means to prevent it. Accordingly, the main welfare debate has been about employment: why do welfare adults seldom work consistently, and what can be done to make them do so?

WIN and JOBS symbolize the conservative turn in welfare politics. Expanding the welfare system is not under consideration anywhere in the American states. Welfare-to-work programs are part of a strategy to shrink welfare. But have WIN and JOBS produced anything other than symbols? Mead says yes.

Mead's (1995, 7-10) analysis uses cross-sectional data encompassing the fifty states. He first examines the bivariate correlation between JOBS participation in 1993 and percent change in AFDC caseload from 1989-1993, and then explores several other correlations. The JOBS participation variable correlates with AFDC caseloads negatively and significantly (-.36), indicating an inverse relationship between JOBS participation and welfare rolls. A JOBS expenditure measure also takes a negative sign. Mead also correlates indicators of other social forces with percent changes in caseload size.

Mead measures family structure somewhat indirectly. A state's average case size for 1992 correlates negatively with percent change in AFDC caseload at a high magnitude (-.44). Mead interprets this coefficient as an indication of the effect of illegitimacy, "since unwed pregnancy, especially among teen mothers, has the effect of bringing a lot of new families onto the rolls with only one or two children" (p. 7). Increasing illegitimacy "both raises the rolls and lowers the average case size" (Mead 1995, 10). Unemployment was positively correlated with AFDC participation (.40), as was the AFDC grant amount (.20). Summing up these results, Mead concludes that social forces matter, but so does JOBS (p. 8). The analysis then moves to a multiple regression in an attempt to control for unemployment, race, average caseload size, and percent of cases with unearned income (see Table 1 below).

Table 1. Results from Mead's Regression

Variable	Coefficient	Standard Error	Significance
Percent of welfare adults active in JOBS, 1991	-.892	.327	.009
Change in percent of welfare adults active, 1991-1993	-.927	.470	.054
Percent of welfare adults mandatory in JOBS, 1993	-.398	.217	.073
Percent of cases with unearned income, 1992	-.405	.235	.091
Average size of welfare case, 1992	-113	25.9	.000
Change in average case size, 1989-1992	105	34.5	.004
Percent of caseload black, 1989	-.340	.123	.008
Change in percent of caseload black, 1989-1992	-1.96	1.10	.081
Change in unemployment rate, 1989-1993	3.72	2.21	.099
R-squared	.64		

Source: Mead (1995, 9).

Mead estimates the percent change in AFDC caseload using nine independent variables, reproduced in Table 1. The effect from average case size is the strongest, with a negative coefficient and a probability of Type I error[4] below .0001. This is taken as a strong indication that out-of-wedlock births, which are presumed to decrease the average case size, spur growth in AFDC caseloads. The coefficient for change in average case size is positive, however, unlike the sign for average case size. Mead (1995, 10) explains this disparity in the following way:

> Caseload size. . .grew most in the states that had the smallest case size at the start of the period and the most caseload growth during it. Apparently, a long-term condition of high illegitimacy and low case size set these states up for a rapid growth in dependency, as mothers already on the rolls had additional children.

Mead's reasoning is difficult to follow, but we can accept his basic assertion that out-of-wedlock births increase caseloads. In addition, the coefficient for percent of caseload black (-.34) indicates caseloads that are getting whiter. Unemployment is positively associated with AFDC caseloads, as expected. These contextual variables control for influences that exist beyond the

[4] Type I error occurs when a true null hypothesis is erroneously rejected (Meier and Brudney 1987, 160).

control of policymakers. This technique allows Mead to confidently report the significant impact of JOBS.

Of the three JOBS variables shown in Table 1, only one reaches the .05 level of significance. All take negative signs, but the significant effect is from the JOBS participation measure ($p < .01$). Mead estimates that a percentage point increase in the proportion of AFDC adults active in JOBS in 1991 is associated with a .892 decrease in the percent change in AFDC caseloads from 1989 to 1993. According to Mead (1995, 10), "This implies that states that had high participation early in JOBS, or under WIN, had a leg up on controlling their caseloads." This negative coefficient for JOBS is important because it indicates that work requirements reduce caseloads. But Mead's analysis is not conclusive.

Mead (1995, 10) admits to limitations inherent in his study.

> Strictly speaking, these results show only that JOBS helps explain variations in welfare growth across the states. To prove that JOBS restrained growth in AFDC nationwide would take a different analysis. One showing that JOBS changed conditions in the whole national caseload over time....One would like to add to this analysis more indicators of social and economic conditions within a state.

It is the purpose of this research to take up Mead's challenge. This analysis adds the time element Mead recommends by analyzing all years from 1984 to 1996. State variation is also incorporated in a pooled cross-sectional time-series data set that "stacks" fifty time series. As Mead asserts, a true test of JOBS must account for variation in AFDC participation across both space and time.

Conclusion

Mead's data show a negative correlation between state variation in JOBS participation with state variation in AFDC caseloads. Based on Mead's findings, one might expect JOBS participation to be associated (negatively) with AFDC participation even in a properly specified model. On the other hand, even Mead (1997, 69) acknowledges uncertainty regarding the effects of JOBS.

> Most of what is known about the effects of welfare work programs comes from the MDRC evaluations, but these mostly date from the 1980s and cover only a handful of sites. MDRC has a national study of JOBS under way at several sites, but it is still unfinished.

Moreover, conclusive evaluations are not likely to appear any time soon. To many welfare officials the question is moot as long as caseloads keep falling. Also, evaluations are less likely under PRWORA because the block grant frees states from the need for waivers. Evaluations in

Wisconsin, for example, were undertaken to obtain waivers, not to assist decision makers, who care less about the actual effects of work programs. Add to these dynamics the problems of evaluating people who (a) exit the rolls, and (b) are diverted from joining the rolls. These people are affected by work programs, but this population is very difficult to identify, measure and analyze. For these reasons, state work initiatives have not been well evaluated.

Additional uncertainty about JOBS stems from the fact that it was not enthusiastically implemented. As Mead (1997, 68-9) points out, it was more likely under JOBS for a welfare recipient to be non-working and not involved in an employment program. Nathan (1993, 121) agrees that implementation of JOBS fell short. JOBS work supports, including transitional Medicaid and child care benefits, were not provided on a large scale to working poor families.

So we really don't know what to expect from a quantitative analysis of JOBS. Mead found a significant negative effect, but he did not incorporate a time dimension or control adequately for other influences. Will his finding survive more rigorous testing? Will the estimate of JOBS' impact on AFDC participation rates take a negative sign and achieve statistical significance?

The expectation here is for a negative effect on AFDC participation, as was found by Mead. Could the sign be positive? Is it possible that JOBS participation swells the rolls? This is not likely unless JOBS programs came with benefits attached. Perhaps the prospect of training and child-care induced parents to stay on AFDC instead of exiting. This seems unlikely. Since these support services were not implemented on a large scale, they probably did not coax parents onto AFDC. Therefore, a negative regression coefficient is expected. Statistical significance, however, is not as likely in this analysis.

Two factors reduce the likelihood that JOBS had a significant impact. First, the program was not implemented fully. A partially implemented design is less likely to achieve its purpose. In addition to the weakness of JOBS, one can point to the strength of unpredictable forces that endlessly frustrate policymakers. When a model of AFDC participation is properly specified, the resulting regression equation is more likely to attribute variation in AFDC participation to forces other than JOBS.

Estimation of a multiple regression model of AFDC participation is the focus of Chapter 3. Theoretical constructs explicated in Chapter 2, namely modernization, rational self-interest, and government policies are operationalized. Modernization is captured by income and family structure variables. Rational choice is measured in terms of benefits and wages. Interstate influences are captured indirectly by a "spatial lag" term summarizing AFDC participation in surrounding states. The policy of interest is the JOBS program. Although we are interested primarily in estimating the effects of the JOBS program, the regression equation also permits an exploration of more general theoretical issues in social science.

The "Mass Societies" perspective emphasizes economic development and modernization as indirect determinants of AFDC caseload size. A rational choice perspective proceeds from the assumption that individuals weigh alternatives before choosing public assistance. The literature provides some support for both perspectives, but they generate opposite expectations of programs like JOBS. Development theory would not predict a significant effect from JOBS, but rational choice theory would (under the right circumstances).

A statistical model of AFDC recipiency allows one to examine the effect of work requirements within the context of other influences. Results from the analysis are presented in Chapter 4, with an accompanying discussion addressing the theoretical tension between development and rational choice perspectives. The final chapter revisits the practitioner, the theorist and the recipient.

CHAPTER 2

THEORETICAL FRAMEWORK: THE SOCIAL RIGHTS PERSPECTIVE

Two research questions are addressed in this study. First, do policies in general have a measurable impact on welfare participation? Specifically, did the JOBS program have a measurable impact on AFDC participation? These questions are best addressed from a broad perspective that frames public assistance in terms of social rights. This perspective incorporates several views concerning the problem of accounting for welfare fluctuations. While it recognizes the importance of self-interest, the social rights perspective flows out of development theory.

Industrialization created new social, economic and political realities that made inequality the focus of organized protest. Social rights became important to organized interest groups when industrialization replaced agriculture at the center of commerce (Lane 1993, 317). The social rights framework, which stems from modernization theory, has helped political scientists account for the expansion of the welfare rolls in Western nations. According to various observers (Briggs 1985, 206; Marshall 1964, 102; Wolfe 1989, 113), the expansion of social rights has coincided with an expansion of public assistance programs. The central idea guiding this research is that the strength of commitment to social rights affects the scope of welfare programs. This plays out in different ways, because commitments vary in strength across jurisdictions and across time.

The concept of social rights allows us to think about a welfare state that can not only expand, but also contract. This is because social rights themselves, as they have evolved, can vary to a greater degree than was once imagined. By keeping an eye on social rights, we can determine when development theory applies and when rational choice theory is the dominant approach. With welfare reform, the theory in play is rational choice.

Development theory says little about shrinking welfare states, whereas the rational choice perspective is more applicable in the reform era. When social rights were being won, development theory explained rising caseloads. When social rights lose political ground, development theory explains little. Instead, another mechanism for the falling caseloads must be identified. Welfare reform employs the logic of rational choice theory on two different levels—personal responsibility and state-level flexibility. A new incentive structure imposed on the states is leading them to manipulate recipient incentive structures to encourage employment. States must now calculate what their neighboring states will do, and what low-income mothers will do, under different circumstances.

This analysis includes the fifty American states measured on a set of variables annually from 1984 to 1996. Cross-state variation is probably attributable to development, while recent year-to-year variation is more likely the product of rational choice dynamics. In addition to developmental differences and varying incentive structures, the federal character of the American welfare state also influences welfare participation. Devolution is being used as a mechanism for altering the content of social rights. The remainder of this chapter pulls developmental and rational choice perspectives into focus under the lens of social rights.

The next section of this chapter discusses development theory and social rights in historical context. Next, the American welfare state is examined in comparative perspective. This middle section of the chapter describes the rise and fall of social rights in the United States. The fourth section explores the implications of rational choice theory, to include self-interest calculations made at both state and individual levels. These calculations become more determinative of welfare participation when the content of social rights dissipates. The concluding section describes the utility of the social rights perspective.

Development and Social Rights

The expansion of the welfare state has guided a considerable amount of social science research (Briggs 1985; Heclo 1974; Marshall 1964; Roche 1992; Taylor-Gooby 1994; Titmuss 1974; Weir and Skocpol 1983; Wolfe 1989). In their analyses of the boom period in AFDC (late 1960s and early 1970s), Isaac and Kelly (1981, 1982) review the development perspective as it pertains to public assistance. This perspective views welfare expansion as a linear progression through sequential phases.

Development theory can be traced to Wagner's ([1883] 1958) law of expanding state activity. Social, economic, and demographic changes brought on by modernization create dislocations in society. People without adequate skills or education fail to keep up with new economic realities. Poverty increases as modernization leaves some people behind. These new economics, however, lead to an economic surplus from which support for social programs can be drawn. Welfare states thus arise from the increased dislocations among certain groups and the expanded economic capacity of modernized states (Flora and Alber 1981, 38-44).

In modernized states, the capacity to finance welfare should be greater; but development has a down side as well. Extremely poor states have higher levels of need, and would show high participation rates as well. When we consider the poor states, it might be helpful to graphically sketch the relationship between need and welfare. Figure 2 shows the hypothesized relationship between state per capita income and AFDC recipiency. Note the decreasing welfare rolls as wealth increases in the poor states, compared with the opposite effect in wealthy states.

The social processes that generate wealth also generate poor people. Since the distribution of increased wealth falls unevenly, poverty is often found alongside great wealth. The visibility of poverty moves people to expand welfare programs in the interest of altruism. The political threat posed by an expanding underclass can also motivate expansions of welfare programs to larger proportions of the population.

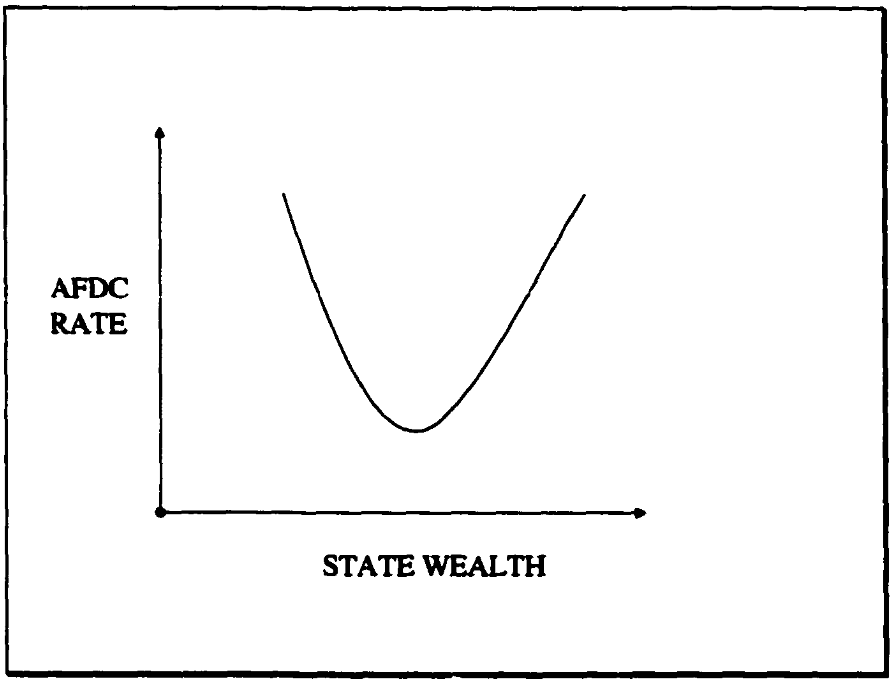

Figure 2. The Hypothesized Curvilinear Relationship between State Wealth and AFDC Participation

The actual bivariate relationship between mean per capita income (mean for 1984-1996) and mean AFDC participation (again, for all years) is depicted in Figure 3. Each data point represents a state. The graph shows that the curvilinear relationship between development and public assistance is apparent at the bivariate level. Even without controlling for other factors, the data show higher rates of AFDC recipiency in the poorest and wealthiest states. A positive slope for the poverty indicator would also be consistent with the mass societies perspective.

A positive slope for poverty would indicate that need also stimulates higher levels of welfare participation. As the poverty rate increases, the AFDC participation rate should increase. This expectation comports with Gronbjerg's (1977) mass society framework. We would also expect increased per capita income, a measure of capacity, to be associated with larger caseloads. So, increases in both poverty (need) and wealth (capacity) should lead to the expansion of public assistance.

The rise of industrial capitalism led many polities to the conclusion that poverty was structural. Modern industrial economies were subject to unpredictable shifts

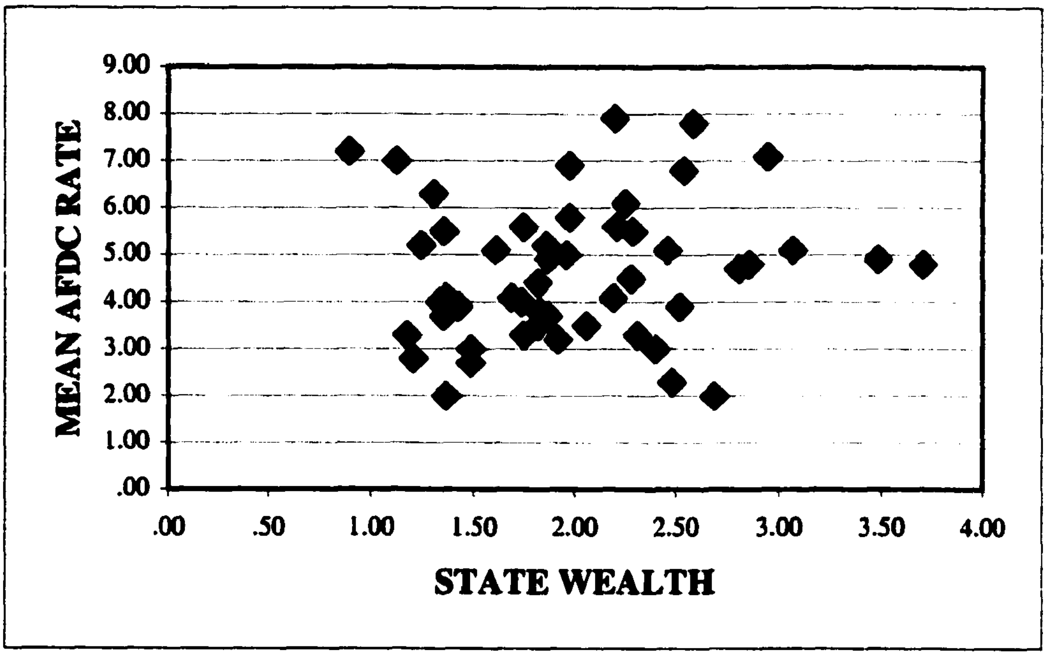

Figure 3. State Wealth and AFDC Participation

that threw many innocent people into dire circumstances. Public assistance during times of need was viewed as an appropriate remedy for some adverse effects of capitalism. The expansion of the welfare state in the Western world was one response to inequalities brought on by industrialization (Bendix 1969, 5).

T. H. Marshall (1964, 102) attributes the rise of the state role in public welfare to an extension of citizenship rights.

> The extension of social services is not primarily a means of equalizing incomes. . .What matters is that there is a general enrichment of the concrete substance of civilized life, a general reduction of risk and insecurity, an equalization between the more and the less fortunate at all levels--between the healthy and the sick, the employed and the unemployed, the old and the active, the bachelor and the father of a large family.

The idea of "citizenship rights" refers to "the extension of civil, political and social rights in Western industrial societies during the last two hundred years" (King 1987, 164).[5]

According to Stein Rokkan's theory of European political development (1974), welfare states arose in the

[5] "Civil rights" refers primarily to legal rights (e.g., rights of the accused), while "political rights" refers to democratic participation.

last of four sequential stages.[6] The first stage is state formation, where fiscal and military structures are established. This stage is characterized by unification at the elite level, along with the creation of tax bureaucracies for resource mobilization, armies for consolidation of the territory and police to maintain internal order.

The second stage is called nation building. During this phase of development, we see the establishment of connections between the elite and the peripheral population. This is achieved with conscript armies, schools and standardization of language. Mass media and religion are also standardized. This phase, like the one before it, carries the goals and values of the center out into the periphery, subjecting the scattered population to military, economic and cultural control. The next phases of development, by contrast, are manifestations of the periphery's response to subjugation by the center.

The third stage of development witnesses political participation and the establishment of citizenship. Mass democracies develop as political equality is built on a

[6] The summary of Rokkan's theory draws heavily from Flora and Alber (1981, 45-46).

foundation of rights. Legislative institutions and electoral mechanisms are established, as are political parties. In the participation phase, citizenship is secured by the peripheral population. The fourth phase then gives definition and content to citizenship.

The final stage of development is called redistribution. Redistribution is a mechanism for equalizing economic conditions, involving the establishment of public welfare systems, progressive taxation, and transfer payments. The development of a welfare state establishes social citizenship through the redistribution of money, goods and other benefits (e.g., health care, education or housing). The growth of welfare states is thus dependent on the development of mass democracies. One implication of this relationship is variation in welfare systems originating from differences in how these mass democracies took shape.

Asa Briggs (1985, 177-211) calls attention to the historical considerations underpinning the idea of the "welfare state." First among these considerations is modern political economy. According to Briggs (1985, 183),

> The conception of market forces sets the problems of the welfare state (and of welfare) within the context of the age of modern political economy. In societies

> without market economies, the problem of welfare raises quite different issues. Within the context of the age of modern political economy an attempt has been made, and is still being made, to create and maintain a self-regulating system of markets.

When a state tries to maintain a self-regulating system of markets, however, distress follows. The decline of *laissez-faire* economic policy and the rise of socialism in the late nineteenth and early twentieth centuries were products of a reaction against liberal economics.

The second historical consideration, which follows from the first, is the existence of chronic unemployment. Chronic unemployment, which can be structural (long-term) or cyclical (short-term), prompted organized labor groups to work for the recognition of social rights for workers. In the interwar years, memories of chronic unemployment existed alongside a belief that governments could do something about it. Indeed, it was in the interest of governments to avoid the political fallout from economic hardship and labor unrest.

The third historical consideration, social activism, refers to the response of organized labor to chronic unemployment. According to Friedman (1981, 15), "welfare statism is the twentieth century's response to the demands of citizens—however articulated—for material protection from contingencies that are beyond their privately organized capacity to avoid." Although these demands were addressed in varying degrees, depending on the country, the possibility of using the state to correct market deficiencies existed in all industrial democracies. Social activism led to government intervention.

The fourth consideration pertaining to welfare state development involves the range of social services. In Britain, for example, public health issues fell within the agreed range of government action, but the regulation of personal health services did not. In the United States there has been controversy about which services the government should provide, who should receive them, and how they should be provided. Different nations have developed different welfare philosophies.

Variation across nations, according to Briggs (1985), carries three different kinds of welfare states along three different trajectories. This variation in efforts to modify the effects of market forces is the fifth historical consideration. The first approach to state intervention guarantees individuals and families a minimum income. The second approach seeks to ameliorate the insecurity associated with sickness, old age, unemployment and other crises. Finally, the third approach tries to ensure that "all citizens without distinction of status or class are offered the best standards available in relation to a certain range of agreed social services" (Briggs 1985, 183). This third direction reflects an idea of social rights that reaches for the highest level of economic, social and political equality among citizens.

Through the post-War period to the 1960s, conceptions of social rights held fast in most Western democracies. Still, there was variation in commitment. Social rights were anchored most firmly in Social-Democratic nations like Sweden. The comprehensive and generous benefits found in Scandinavian states reflect enduring commitments to social rights.

The welfare state that is founded on conceptions of social rights is more likely to maintain its commitment to social service recipients. However, unlike civil and political rights, social "rights" appear to be actual rights only in certain places at certain times. As Cox (1998a, 398-399) observes, many European countries are retooling welfare policies as part of a shift away from "rights" as the basis of welfare.

> As rights become more entrenched, using the language of rights to legitimate welfare benefits makes those benefits more easily defensible. In recent years, however, there is a growing dissatisfaction with the proliferation of rights. In addition, it has become more expensive to satisfy rights claims (p. 398).

This evolution in how we think about social rights has lead to far-reaching policy changes in Western industrialized democracies.

When a basic subsistence income is no longer thought of as a right, it must be thought of as something else. For example, a welfare check can be thought of as consideration for the performance of a contract. On the other hand, it can be thought of as a settlement, the product of a negotiation between two parties who feel they must deal with each other. The welfare check that is based on a contract is less certain than one based in a right, because its disbursement is dependent upon performance of something in consideration. If welfare is thought of as the product of a negotiation, the arrangement can be canceled. When poor people are entitled to economic assistance because of a society's commitment to social rights, the scope of welfare is less likely to be narrowed by policymakers.

Variable commitments to social rights produce variation in welfare policies. Esping-Andersen (1990, 26-7) outlines three categories of welfare states reflecting three different levels of commitment to social rights.[7] The United States is placed the "liberal" category, where social rights are barely recognized at all. This weak commitment to social rights helps to explain why the United States does not maintain the level of welfare generosity that exists in Sweden.

Social Rights and the American Welfare State

Although the success of labor movements made possible the perpetuation of several expansive welfare states in Europe, ideological and moral contradictions contributed to a different context for the American welfare state. Social rights are viewed differently in countries with well-preserved liberal traditions. Ideologies that elevate the market to primacy are not necessarily conducive to workers' rights. The United States is a particularly good example of a market-oriented liberal welfare state (Esping-Andersen 1990). This section traces the fate of social rights in

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[7] Esping-Andersen's typology of welfare-state regimes is routinely cited in cross-national studies of welfare policy (e.g., Hicks and Swank 1992, 659-60; Howard 1993, 404; Ruggie 1996, 16; and Weatherley 1994, 153).

the United States, where complicating factors include ideology, race and federalism.

Esping-Andersen (1990, 2) takes a broad approach to welfare, including in his analysis "issues of employment, wages, and overall macro-economic steering" as integral components of a "Keynesian welfare state." Surveying cross-national variation in social rights, Esping-Andersen finds welfare states clustered. Three clusters, or "regimes-types," describe eighteen capitalist democracies throughout Europe, North America, Australia and Asia.[8] The key to the clusters lies in the level of "de-commodification" present.

In the language of Esping-Andersen (1990, 21-2), social rights entail the de-commodification of labor. In capitalist societies, markets "become universal" and render individuals dependent on cash for survival. Capitalism effectively confined social production to within the confines of the labor contract, thereby transforming labor into a commodity. Social rights advocates recognize this adverse effect and strive to correct it through de-

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[8] The countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom and United States.

commodification.

> If social rights are given the legal and practical status of property rights, if they are inviolable, and if they are granted on the basis of citizenship rather than performance, they will entail a de-commodification of the status of individuals vis-à-vis the market (Esping-Andersen 1990, 21).

De-commodification is a high priority for labor because commodification is market-dependence. De-commodification is opposed by employers because it entails paying workers who don't work. The balance of power between workers and employers affects the level of de-commodification.

The United States occupies Esping-Andersen's <u>liberal</u> category, where public assistance is not given in the spirit of citizenship. AFDC, for example, was a means-tested benefit tied to demonstrable need, not citizenship. Meager benefit levels and stigma reduced the de-commodifying effect of AFDC, since it provided at best an unpleasant alternative to personal failure in the labor market, and only to certain classes of people.

The origin of "welfare" in the United States is usually traced to 1911. According to Skocpol et al. (1993, 686), the "grandmother" of AFDC was the "mother's pension" (or "widow's pension"). Based on the assumption that these parents were deserving and wholesome, mother's pensions sought to alleviate the problems faced by war widows. Mother's pensions were "state-level enabling statutes authorizing local governmental authorities to make regular payments directly to impoverished mothers (and occasionally other care-takers) of dependent children" (p. 686). The rapid enactment of mother's pensions between 1911 and 1930 is best explained, according to Skocpol et al. (1993, 689), by modernization theory.

> Although modernization arguments have been found *not* to apply to the origins of old-age pensions or social insurance in the United States as contrasted to Europe (Collier and Messick 1975; Flora and Heidenheimer 1981; Orloff and Skocpol 1984), they nevertheless might apply to the intra-U.S. origins of *mother's pensions*, which were intended largely for the "worthy widows" and children of deceased male breadwinners [authors' italics].

In their quantitative model of mother's pension enactment, Skocpol et al. (1993, 692) find a significant positive effect from per capita expenditures for public schools, supporting the notion that more developed states made welfare a government endeavor sooner.

Skocpol et al. (1993) are concerned with a particular piece of the welfare puzzle—the effect of mother's groups. Perhaps because of the relatively high education level among American women, compared to other nations, voluntary associations were formed in most states just after the turn of the century. Educated women could not yet vote, and sought to influence policy in other ways. According to Baker (1984), these organizations developed to express the concerns of mothers, children and families in a new industrial economy. They were joined by the American Federation of Labor and politicians like Theodore Roosevelt and Robert LaFollette in an emergent consensus (Teles 1998, 29).

Although a consensus existed on the need to elevate poor relief to the state level, that is about as far as consensus went. According to Teles (1998, 30), the states varied widely on the amount of the benefit or the breadth of coverage. In summary, it can be said that the U.S. states underfunded the pensions and kept benefits far below reasonable standards of need (Skocpol 1992, 472).

The American welfare state expanded when mother's pensions were replaced with the ADC program. Mother's pensions were state policies that happened to be enacted in every state. ADC was a program forced on the states by the federal government in response to the Great Depression. The expansion of the welfare state is defined by this unprecedented federal commitment to public assistance.

In 1935, President Franklin Roosevelt signed the

Social Security Act. This watershed event responded to widespread poverty among the elderly. As one component of the Social Security legislation, the Aid to Dependent Children (ADC) program was established to assist children who were victims of economic collapse and agricultural disaster. The enabling legislation permitted states to set their own benefit levels, stopping short of rescuing the program from the state legislatures. A fully nationalized program, without state variation in eligibility or benefits, would have enhanced the inviolability of social rights. As Huntington (1973) has observed, the extension of citizenship rights is hampered by decentralization.

Social rights have remained subject to the vagaries of the federalism debate. When welfare policy becomes more centralized, as it did in 1935, social rights tend to be more firmly enshrined. That is usually a basic purpose of centralization--to ensure against deficiencies at the subnational level. Centralization of administrative capacity is typically regarded as evidence of development (e.g., Flora and Alber 1981, 44).

Federalism has had a detrimental effect on social rights in the United States. Despite some degree of nationalization of welfare with ADC in 1935, the federal system's protections against centralizing forces have kept welfare policy largely at the subnational level. States, according to Gronbjerg (1977, 11), have "jealously guarded their constitutional prerogatives to set policies in areas where the constitutional authority does not rest exclusively with the national government." The federal government itself has been instrumental in preserving state control of public assistance. The phenomenon of fiscal federalism, symbolized by grants-in-aid to states and localities, demonstrates America's inclination toward decentralization. In short, federalism has been a barrier to the extension of citizenship rights.

As the decades passed, inequities tied to state variation became a national concern. Recalcitrant states, especially in the South, withheld not only social, but also civil and political rights. These inequities led to calls for national action. After the assassination of President Kennedy in 1963, Lyndon Johnson answered the call.

Dubbed "the Great Society," Johnson's vision of equality for Americans became arguably the most important accomplishment of his presidency. Johnson (1971, 104) recalls the era.

> At the heart of it, I thought of the Great Society as an extension of the Bill of Rights. When our fundamental American rights were set forth by the Founding Fathers, they reflected the concerns of a people who sought freedom in their time. But in our time a broadened concept of freedom requires that every American have the right to a healthy body, a full education, a decent home, and the opportunity to develop to the best of his talents. . . .I saw it as a program of action to clear up an agenda of social reform almost as old as this century.

By the 1960s, the structural view of poverty had evolved into the logic of the Great Society. Poverty was regarded as "a permanent structural problem--not just a result of a collapsed economy, but the result of the capitalistic system itself" (Cammisa 1998, 101). Since it was impossible to confront the proximate cause of industrial-era poverty (the capitalistic system), the expansion of assistance programs made sense. During the 1960s, the persistence of poverty in many states, amid rising affluence elsewhere, fueled the expansion of AFDC benefits and liberalization of eligibility requirements (Levitan 1985, 451). Expanded benefits preceded the noteworthy surge in the AFDC population between 1967 and 1972 (Teles 1996, 19). The racial demographics of this surge reflected the anti-poverty goals of the Great Society.

According to Piven and Cloward's *Regulating the Poor* (1971), an influential book about the surge in AFDC rolls during the 1960s, the welfare expansion of the 1960s was a political response to the civil disorder of urban blacks. The authors begin by observing that welfare programs have not reflected a trend of growing generosity. Instead, programs expand and contract as the system performs its two main functions ". . . maintaining civil order and enforcing work" (p. xv).

Theoretically, political protests and uprisings may prompt or force governments to adopt measures to pacify potentially rebellious factions. However, as disorder subsides, relief does also. Piven and Cloward argue that such actions by political elites are a deliberate attempt to use welfare to regulate and manipulate the behavior of the poor. Thus, according to Piven and Cloward (1979, 1012), mass volatility can help explain a series of national policy initiatives that contributed to the subsequent rise in AFDC rolls occurring in the 1970s.

Piven and Cloward may be correct in explaining welfare variation in terms of regulating the poor. What does this say about social rights? Using Piven and Cloward's logic, we would expect social rights to be enhanced at certain times, but diminished at certain other times as the situation dictates. Social rights of this type are discursive to a greater degree than civil and political rights. The right to vote is not really up for debate, nor is the right to a trial by jury. The content of social rights, however, is apparently a product of political negotiation. In the late 1960s, social rights found a friend in the United States Supreme Court. Teles (1998, ch. 6) reviews Court decisions that bolstered social rights.

The Supreme Court of the 1960s was predisposed to answer "rights" questions because it was seen then as a protector of the weak and "the vindicator of rights" (Teles 1998, 117). Mogull (1993, 261) describes the socio-economic conditions leading up to the expansion of welfare rights in the American states in the late 1960s. The modernization of Southern agriculture had displaced many farm laborers, causing a migration of African-Americans to large cities. High unemployment led to political action, riots and other forms of civil disorder. In the cities, "the growing mass of poor blacks emerged as a political force" (Mogull 1993, 261). Local relief institutions responded, as did the United States Supreme Court.

In the decade from 1965 to 1975, a revolution in social welfare policy took place (Isaac et al. 1994, 119). From a rights perspective, three important decisions were handed down in the late 1960s and early 1970s, when the Supreme Court applied the idea of rights to welfare (Teles 1998, 99). In a 1968 case, *King v. Smith* (392 U.S. 309), the Court ruled that while the states were free to set need standards and benefit levels, eligibility was to be decided at the national level.

Protecting eligibility policy from state discretion establishes more firmly the "right" to welfare. In 1970, *Goldberg v. Kelly* (397 U.S. 254 [quoted in Teles 1998, 111]) affirmed that welfare benefits are "a matter of statutory entitlement for persons qualified to receive them. Their termination involves state action that adjudicates important rights." In 1971, the *Townsend v. Swank* (404 U.S. 282) decision invoked the Supremacy Clause, invalidating any "state eligibility standard that excludes persons eligible for assistance under federal AFDC standards." These cases reveal the Court's willingness to accept the arguments of welfare rights advocates.

Within a few years, several studies appeared in response to Piven and Cloward's argument. Not surprisingly, tests of the mass insurgency explanation produced mixed results. Several articles found the approach incomplete (Albritton 1979; Durman 1973). Others lend support to the connection between the civil disorder of the 1960s and AFDC caseload increases (Betz 1974; Fording 1997; Hicks and Swank 1983; Isaac and Kelly 1981, 1982; Jennings 1983). Still, most scholars, Hicks and Swank (1983) in particular, have concluded that the Piven and Cloward thesis is useful only during times of civil unrest. The mass insurgency thesis may partly explain the surge in caseloads in the 1960s and 1970s, but other explanations are needed for other eras. The leftist politics of the 1960s are a distant memory. The most enduring legacy of the mass insurgency era may be the backlash against the welfare state that gained full momentum in the 1980s.

Welfare reform gained momentum in industrialized democracies when economic expansion, and the concomitant expansion of social rights, no longer seemed limitless. Lasch (1995, 228-230) points to diminishing resources and inadequate levels of "racial good will" as indicators of an "age of limits" that defies liberal expectations of "an indefinite expansion of productive forces." What the era of social rights did to strengthen public assistance programs, the age of limits presumably is undoing.

One example of thinking in terms of limits rather than social rights can be found in the so-called "race to the bottom" (Peterson and Rom 1989). The main assumption driving the notion that states adjust welfare benefits to match benefit levels in other states is that individual behaviors are the product of self-interest calculations.

The race to the bottom may be a direct result of post-industrial realities. The globalization of economic competition has forced legislatures to consider competitiveness, in all its varied incarnations, more carefully. Since welfare policies may be construed as de facto labor market policies, they become the focus of self-conscious interstate comparison. Whether states actually compete when setting benefit levels or not, it is apparently considered rational to do so. The current welfare climate assumes rational behavior from states and individuals alike.

Welfare Reform and Rational Choice Theory

The conservative ascendancy that ushered in the Reagan administration espoused an economic interpretation of welfare politics. Keynesian economics was out and supply-side was in. Government programs and taxes were cut to encourage saving, investment and economic growth. Big government lost political support. In this atmosphere, an ever-expanding welfare responsibility seemed ludicrous. The surge in AFDC participation, followed by a shift to conservative control, nurtured a backlash against public assistance for the poor (Cammisa 1998, 102).

The main thrust of the backlash originated in a perception that the entitlement to public assistance leads to perverse and artificial incentives. These incentives, in turn, discourage marriage and promote isolation and dependency—a culture of poverty. This kind of thinking applies a rational choice explanation to a problem of development. Rational choice theory posits a connection between changes in policy and changes in individual behavior. This section describes rational choice theory as it relates to welfare reform.

The ascendancy of the rational choice movement in political science can be traced to 1957, the year Downs's *An Economic Theory of Democracy* appeared. There are several elements to the rational choice framework, including a reliance on deductive methodology and *a priori* assumptions. According to Laver (1997, 6), "the crucial characteristic of the *a priori* approach is thus the generation of interesting and non-obvious statements about the world from a set of assumptions and a system of logic."

Denhardt (1984, 143) summarizes rational choice as it used in this analysis. The individual is assumed to be "self-interested, rational, and seeking to maximize his or her own utilities" (p. 143). Self-interested individuals have distinct preferences that may differ from the preferences of others. Rational individuals are able to rank alternatives transitively, so that if A is preferred over B and B is preferred over C, then A is preferred over C. Maximization assumes a strategy in which the highest net benefit (utility) is calculated for a given situation. Rational choice theory suggests what we might expect someone to do under certain conditions.

Moffitt (1983, 1024-25; 1985, 541-42; 1987, 349-50; 1992, 15-19; 1996, 36-37) and others[9] have considered how individuals might react to changes in welfare policies and labor market conditions. The recipient who leaves AFDC in response to a benefit reduction exemplifies the type of

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[9] Albritton (1979, 1009); Barr and Hall (1981, 110-11); Danziger, Havemann and Plotnick (1981, 979); Garfinkel and Orr (1974, 282); Hoynes and MaCurdy (1994, 43-48); Jencks (1997, 35); Kaus (1992, 115); Lerman (1995, 17); Levy (1979, 79); Peterson And Rom (1989, 716-17); Plant (1984, 673-76); Wolfe (1989, 119).

behavior adjustment envisioned by rational choice theory. A sufficient reduction in the welfare benefit presumably changes the result of a personal cost-benefit calculation and prompts the individual to choose additional employment.

Steeped in the traditions of economics, rational choice theorists envision individual behavior in terms of graphed curves (e.g., Levy 1979, 78 and 91; Moffitt 1992, 10; Parkin 1997, 342). Welfare participation analysis fits within a labor supply framework that posits the amount of labor a head of household would choose to supply in the market.[10] As Moffitt (1983, 1024) has shown, "individuals are not indifferent as to the composition of their income, preferring a larger mix of private income than welfare income." Mothers who are in a position to choose between employment and welfare presumably weigh not only the welfare benefit, but also the value of wages available in the labor market.

Economic theory views individual choices between "work" and "welfare" in a formal sense, as decisions to engage in market or non-market activity. According to Parkin (1997, 341), a household chooses the amount of labor

[10] The theory of labor supply can be found in any introductory microeconomics text. The following paragraphs and Figure 5 are adapted from Parkin (1997, 341-348) and Ruffn and Gregory (1985, 742-44).

to supply as part of its time allocation decision. Time is allocated between two broad activities—market activity and non-market activity. Market activity is the same thing as labor market participation, or "supplying" labor.

Non-market activity refers to every other type of time allocation, including, but not limited to, leisure, education and household production. In the language of economists, hours spent raising children represent a decision not to purchase babysitting or nanny services in the market. Raising children is therefore considered household production. Other examples of household production include subsistence farming and fixing the family car. Although studies of welfare participation often model a "trade-off between work and leisure" as if raising a child is leisure, there should be no doubt that child-rearing belongs in the household production category.

All else being equal, a change in the value of producing goods and services internally would affect a household's labor market allocation. If, for example, a family moves to a location with poor quality child-care, the value of home production increases, causing a reduction in market activity (labor supplied). Figure 4 below graphs

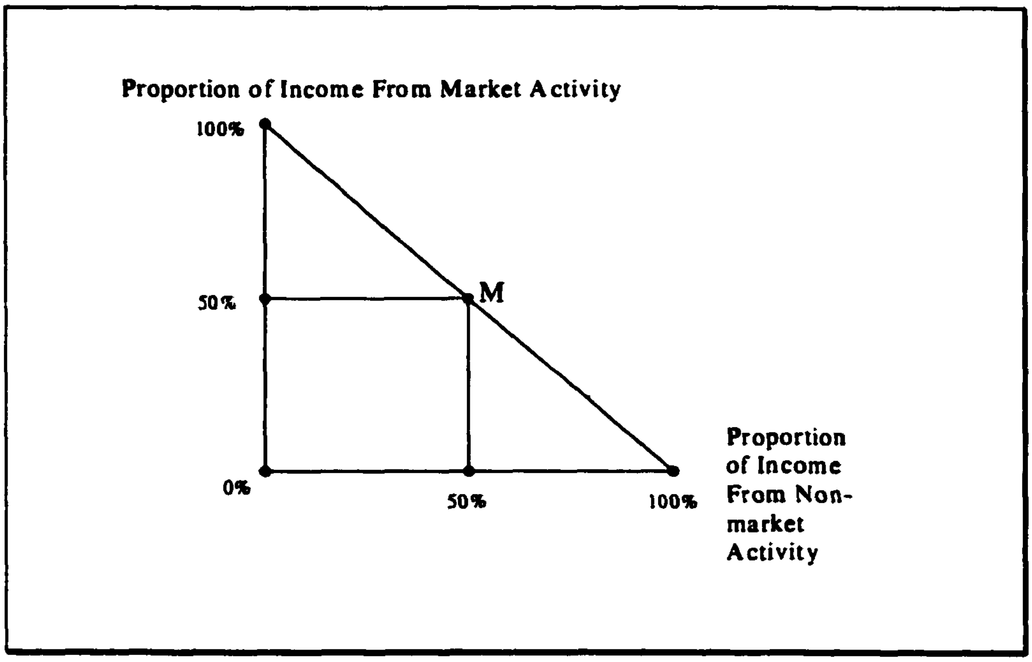

Figure 4. The Mix of Market and Non-market Activity

the trade-off between market and non-market activity in terms of income.

Non-market activity comprises a broad range of activities. Figure 4, however, refers to non-market *income*. What is non-market income? For the purpose of this research, non-market income means welfare benefits, including cash or near-cash assistance (basically, the welfare check, Food Stamps and Medicaid). Movement along the diagonal line in Figure 4 stems from adjustments to wage and welfare benefit levels. It would be consistent with economic theory to hypothesize movement upward and to the left as wages increase. Movement downward and to the right, indicating upward pressure on welfare caseloads, would theoretically result from benefit increases.

Barr and Hall (1981, 111-113; also see Hanoch and Honig 1978) emphasize that, in theory, the decision to substitute non-market income for market income need not be an "all or nothing" choice. They envision a so-called "dependence function,"[11] describing it in terms of four categories. At one extreme is the completely nondependent

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[11] **The reader may find odd the use of the term "dependence" in the context of a theory based entirely on choice. Is the individual choosing non-market income, or is the individual dependent? Dependence would appear inconsistent with choice, yet Barr and Hall use the term without addressing this inconsistency.**

household, where all income derives from labor market activity. Moving along the theoretical continuum leads next to the "partial dependence" category, where benefits are chosen, but they are less than earnings. The third category, "substantial" dependence, consists of households choosing more benefits than earnings. Finally, at the high extreme of non-market activity are those households choosing "total" dependence, where 100 percent of household income arises from non-market activity.

If, for example, fifty percent of a household's income flows from market activity, then the other half must arise from non-market activity. A parent in that situation would be plotted at point M in Figure 4. Point M indicates the boundary shared by the partial dependence category and the substantial dependence category. Locations on the slope above M represent partial or no dependence, while points below M represent substantial or total dependence. The slope itself is commonly referred to as the budget constraint (or budget line). Barr and Hall's (1981) categories are useful because they connect abstract economic theory with the real world of the single parent. Wages, benefits and welfare participation can all be quantified, allowing for testable hypotheses regarding their interrelationships.

The diagonal line in Figure 4 is the curve along which a parent moves as he or she alters the household income mix. Policymakers fervently hope that TANF recipients opt for a heavier market content. The question becomes, "What goes into a mother's decision to alter the income mix?" Economists have considered this question within a framework known as the theory of labor supply. The theory of labor supply is a starting point for generating hypotheses about why a parent would choose to go, or not to go, on welfare.

Labor is considered one of the four factors of production, the others being capital, land and entrepreneurship. This means that labor is a factor market, not a goods market. The individual is supplier instead of demander. People supply labor in exchange for wages, and this takes place in a labor market. The theory of labor supply posits a curve describing the amount of labor an individual would supply at different wage levels. Figure 5 depicts the labor supply curve.

Several elements of the graph serve to illustrate the rational choice explanation of labor force participation. The most important for our purpose is labeled *RW*, which is

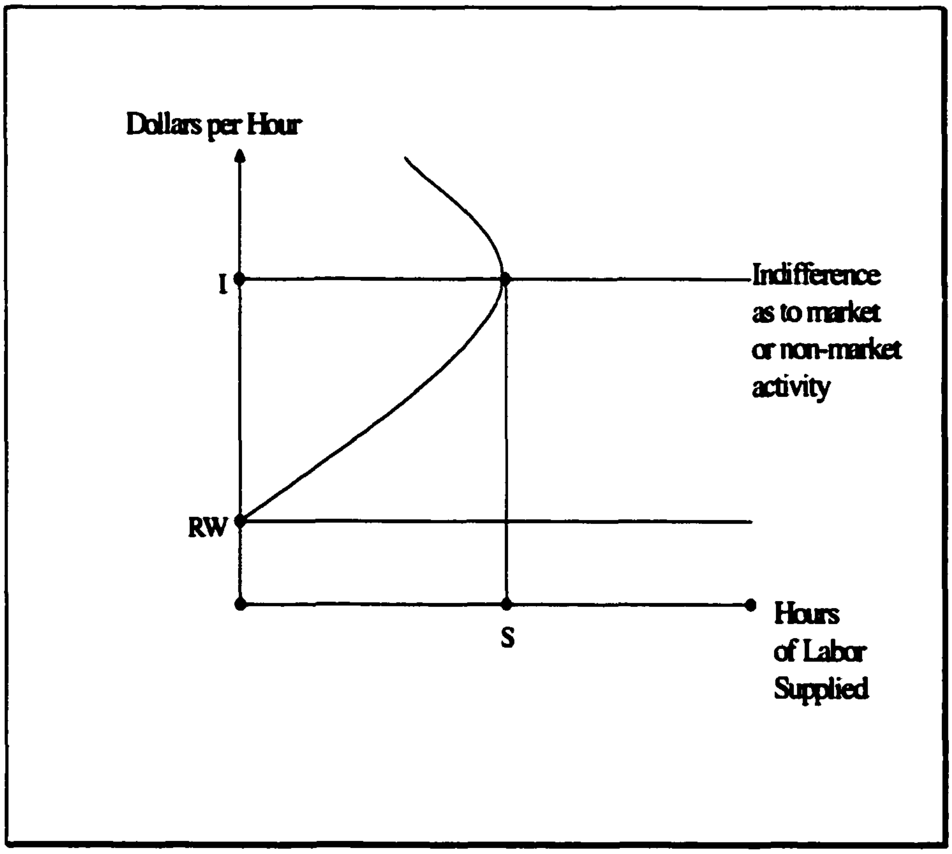

Figure 5. The Supply of Labor
Note: Adapted from Parkin (1997, 342).

a dollar amount called the reservation wage. The lowest wage rate at which a household is willing to supply labor is that household's reservation wage. Above a certain rate (*RW*), wages entice the household to sell labor in the market. As the wage rises, the amount of labor supplied increases. However, this relationship remains positive only up to a point. At some point (*S*) along the curve, increases in wages depress the quantity of labor supplied by the household. This "backward bend" in the labor supply curve represents the switch from "substitution dominance" to "income dominance."

At points on the curve between *RW* and the intersection of lines *I* and *S*, wage increases are met with increased willingness to sell more hours of labor. This is known as the substitution effect. Suppose an individual earning ten dollars an hour is given a dollar raise. Will the individual clock more hours? The substitution effect occurs when "the higher wage induces a switch of time from non-market activities to market activities" (Parkin 1997, 341).

The substitution effect is presumed to occur until a certain wage rate is reached. At this hypothetical wage rate, the income effect begins to dominate the substitution effect. When the wage rate is high, a family has already replaced a substantial amount of household production with market activity. At some point the hours become more precious than the earnings. More formally, the net marginal utility of non-market activity is potentially greater when a high and increasing income has already diminished the necessity of household production, and is presently causing an expansion of leisure options. It is worth noting that rising wage rates allow decreases in the quantity of labor a household supplies without necessarily reducing its income from market activity. At wage levels above the indifference point (wage rate I), leisure may become more precious than the marginal income from an hour's work. This study, however, is more concerned with the range around *RW*.

A household must be offered a high enough wage rate to induce it to supply labor. According to Parkin (1997, 341), a household will supply labor when it is "offered a wage rate that is at least equal to the value it places on the last hour it spends in non-market activities." The lowest wage at which a household will supply labor is the reservation wage. It reflects the value placed on household production and, to a lesser extent, leisure.

Leisure options are more relevant at higher wage rates (i.e., rates above I).

Parents can generate income from either market or non-market activity, or any combination of the two. Consider, for example, a two-parent household. Parents A and B must decide on an allocation of their time between market and non-market activity. Perhaps A would engage in 75 percent market activity, with B also at 75 percent market activity. This would describe the stereotypical two-income family, with both parents engaged in high-powered careers. It might also describe a family among the working poor. These parents must spend some of their income on child-care because their time allocation leaves gaps during the day when their children lack supervision.

On the other hand, A and B could choose to engage in no market activity whatsoever. If, for example, a couple could raise sufficient food, while clothing and sheltering themselves and their children, market activity would not be necessary. Perhaps a family involved in a communal arrangement would be able to accomplish full reliance on non-market activity. Usually, however, market activity becomes necessary in the course of bringing up children.

The necessity of market activity is felt by single-parent families as well.

Single mothers who earn wages at or just above *RW* face difficult decisions about time allocation. These potential welfare recipients would presumably consider the AFDC benefit as an increase in the reservation wage because the benefit would add value to non-market activity. Recall that *RW* reflects the value placed on non-market activity. Therefore, increases in the welfare benefit imply a higher *RW*. If we call the new higher reservation wage *RW'*, then a household whose actual reservation wage falls between *RW* and *RW'* would theoretically adjust its income allocation toward non-market activity. This would increase the AFDC participation rate.

The labor supply framework is useful because it suggests hypothetical relationships among wage levels, benefit levels and welfare participation levels. With the new attitudes that are part of the post-entitlement era, welfare is currently viewed as a labor market problem. The prevalent view is that many single mothers are not supplying enough labor; instead, they are mixing in too much non-market income with their market income. Labor supply theory suggests that Lyndon Johnson and the Supreme

Court reduced the attractiveness of labor market activity by increasing welfare benefits, and therefore reservation wage thresholds, for African-Americans.

The late-1960s surge in welfare dependency was interesting because hypothesizing its cause is fraught with racial implications. Structuralists could blame capitalism for systematically excluding minorities from the economy. More interestingly, as it turned out, the "culture of poverty" viewpoint allowed stigmatization of AFDC recipients and, by association, African-Americans, on moral grounds. Daniel Patrick Moynihan's *The Negro Family: The Case for National Action* (1965), for example, associates the poverty problem with out-of-wedlock births and the breakdown of family structure among blacks. Charles Murray's *Losing Ground* (1984) argues that "the statistics on blacks are in large part a proxy measure of trends among poor people of all races" (Murray 1985, 428-9). William Julius Wilson's *The Truly Disadvantaged* (1987) emphasizes the relatively high proportion of black men unable to support a family. These works bemoaned the perverse incentive structures that led to such a sad predicament for welfare recipients.

Teles (1998, 148-152) forcefully argues that Murray and Wilson had enormous influence. "There is no way to overestimate the effect that Charles Murray's book Losing Ground had on the intellectual debate on poverty" (p. 148). Murray's proposal for the outright elimination of cash assistance created momentum for a new approach to poverty--one without the perverse incentives that undermine family structure. William Julius Wilson's (1987) book combined advocacy of strong government programs for the poor with concern about family stability. Foreshadowing the rise of the centrist Democratic Leadership Council (DLC), the intellectual left became open to welfare reform.

Getting the intellectual left on the reform bandwagon was crucial because it marked the end of "dissensus" among intellectual elites while marginalizing the influence of the old-line leftists. Proposals by David Ellwood (1988), Theda Skocpol (1990), Christopher Jencks (1992) and Mickey Kaus (1992) embraced the new "nonradical liberal" ideology. The result is that welfare has been a reciprocal arrangement, not a right. At this rare moment in history, intellectual elites on the left and the right agreed substantially with each other and, amazingly, with long-held public opinions (Teles 1998, 149-150). Adding fuel to the consensus was the perception of favorable budgetary impact.

Whether the problems take ideological or fiscal forms, welfare states everywhere now face uncertainty. Moral conundrums and budget constraints have forced policymakers to rethink the logic of welfare entitlements. Governments are intensely aware of the need to move people off the dole. As welfare reform movements have taken hold in most Western democracies, progressive notions of expanding rights and the benefits of citizenship have been replaced.

Post-industrial economics have led to perceptions of an "age of limits." According to Lasch (1995, 228),

> The global circulation of commodities, information, and populations, far from making everyone affluent (as theorists of modernization used to predict so confidently), has widened the gap between rich and poor nations and generated a huge migration to the West and to the United States in particular, where the newcomers swell the vast armies of the homeless, unemployed, illiterate, drug-ridden, derelict, and effectively disfranchised. Their presence strains existing resources to the breaking point. Medical and educational facilities, law-enforcement agencies, and the available supply of goods--not to mention the supply of racial good will, never abundant to begin with--all appear inadequate to the enormous task of assimilating what is essentially a surplus population. Presumably, in an age of limits, governments can

repossess individual rights. One effect of an ideology of limits is the tendency for welfare entitlements based on citizenship to be recast as conditional benefits. In the United States, the scope of assistance is narrowing. Policymakers want welfare recipients to work and get off the dole. With this purpose in mind, Congress instituted work incentives in 1967 and work requirements in 1988. Time limits appeared in 1996 with PRWORA. Entitlements are gone, and each state must now articulate a vision of what welfare will look like.

The devolution of welfare to the states, under a block grant scheme, opens the door for policy innovation. The block grant, however, has strings attached. States face reductions in their grants for failing to meet work participation rate targets. Even before PRWORA, JOBS imposed work participation rate requirements on the states. So, for the last decade at least, states have been devising ways to reduce caseloads and avoid fiscal penalties. States are changing the incentives associated with welfare, competing to make assistance less attractive than employment and less attractive than welfare programs in other states. This new incentive to reduce welfare caseloads has prompted scholars to hypothesize a "race to the bottom" among states.

One theme of John Donahue's Disunited States is that competition among states has always existed. Large corporations, for example, are routinely courted by states offering tax breaks and other incentives. In the context of devolution, increased autonomy will "raise the intensity, and the stake, of inter-state competition" (Donahue 1997, 120). Years earlier, Tiebout (1956) theorized about citizens expressing preferences among jurisdictions by voting with their feet. Thomas Dye's (1990, 14) text on federalism, subtitled "Competition Among Governments," asserts that "state and local governments compete for consumer-taxpayers by offering the best array of public goods and services at the lowest possible costs." Welfare recipients, however, inspire a different kind of inter-state competition.

Peterson and Rom (1989) point out the other side of the Tiebout hypothesis. In their view, giving states the responsibility for redistributive programs leads to the free rider problem. States "will consequently limit their welfare provision, hoping that some other state government will take care of it" (Peterson and Rom 1989, 711). As states adjust welfare policies to discourage the in-migration of recipients, a "race to the bottom" takes shape.[12]

A recent issue of Publius: The Journal of Federalism is devoted exclusively to the "race to the bottom" hypothesis. Empirical evidence is mixed. According to Lurie (1998, 89), "this competition is a political rivalry of the kind that leads to unpredictable and unstable outcomes." Johnston and Lindaman (1998, 140-2) conclude that Kansas continues to follow its moderate, incremental path in hopes of staying in the middle of the pack. Rom et al. (1998, 17-37), however, employing a "spatial lag" methodology, find that states are indeed sensitive to the welfare policies of their neighbors. It is not yet clear whether a "race" is underway, but most scholars agree that evolving incentive structures present a complex set of options to states and single mothers alike.

Welfare reforms are aimed at people who are in a position to choose work or welfare. When policymakers adjust benefit levels or eligibility requirements to discourage potential recipients, they employ the logic of

[12] An alternative, more favorable interpretation of this kind of mutual policy adjustment is the "laboratories of democracy" metaphor (Schram 1998, 1-2).

rational choice theory. Consider the logic behind an early reform, the Work Incentive (WIN) program.

When setting up WIN in 1967, Congress offered a financial incentive for AFDC adults to work (U.S. Department of Health and Human Services 1998, ch. 1). For the purposes of determining eligibility and benefits, the agency would disregard a portion of earnings. Previously, virtually all earnings counted against the AFDC check in most states. The work incentive required states to disregard the first $30, and one-third of the remaining earnings. The result was that working recipients would not lose AFDC eligibility until their earnings were 150 percent of the benefit. Adjustments to benefits and eligibility criteria were aimed at those who had the option of working. By allowing earnings to actually make a difference in an individual's income, the government would presumably alter the result of individual self-interest calculations, eventually spurring people off the rolls.

The Work Incentive is a perfect example of the importance of rational choice theory under welfare reform. When policymakers change the way they think about citizenship and social rights, many people are affected. Citizens of the United States, for example, now possess conditional benefits instead of entitlements. Moreover, cash assistance is conditioned on participation in work activities. These developments increased the attractiveness of work relative to AFDC. Perhaps these reductions in the content of social rights, and the personal sacrifices now being demanded, are justifiable if the policy goal of reducing dependency is achieved. If, on the other hand, work requirements do not reduce AFDC participation, the personal sacrifices must be justified on some other basis. It is therefore essential that the impact of these reforms be studied.

Conclusion

Dissatisfaction with the nation's welfare program has led to intense debate since the 1960s, but all sides seem to agree that employment is preferable to welfare in virtually every case. The pervasive sentiment is that aid recipients ought to be working, because work would make them feel like worthy members of society. The caseload (number of welfare recipients) reduction associated with putting people to work would be also good for the rest of us.

Nevertheless, AFDC participation rates are influenced by many forces. Economic development increases the need for public assistance and the capacity to meet some (or all) of that need. The rise and fall of social rights is associated with expansion and contraction, respectively, of the welfare rolls. Social rights are now viewed unfavorably across a broad spectrum of ideologies.

Work requirements and time limits, which reflect the discursive nature of social rights, have been at the forefront of the reform agenda. States are manipulating benefit levels and eligibility requirements in hopes of avoiding a rush of in-migration when time limits hit. These reforms have altered the incentives of the welfare system, perhaps affecting caseloads greatly. Therefore, any model of AFDC participation must account for development, policy dynamics, and the self-interest calculations of single mothers. Chapter 3 specifies a model of AFDC participation that is grounded in these theoretical considerations. Such a model can isolate the influence of the JOBS program.

CHAPTER THREE

ESTIMATING AFDC PARTICIPATION: A POOLED TIME-SERIES DESIGN

This analysis isolates the effect of JOBS on AFDC participation rates. The 1988 reform curtailed social rights, to be sure. Did JOBS also reduce caseloads? We must answer the question carefully, because theoretical and methodological pitfalls can mar the analysis.

Welfare research sometimes suffers from specification error. Researchers often rely on a limited set of theories and predictor variables, hoping they have not omitted any important influences. For the present study, an overarching "social rights" perspective served as a guide to proper model specification. Development theory and rational choice theory generated hypotheses regarding interrelationships among the variables. Alternate variables representing similar theoretical constructs were tested to reduce measurement error. These model-refining techniques should lead to plausible results and an acceptable level of explained variance.

Welfare researchers face another limitation when they use experimental methods. Although these studies provide a wealth of information and some significant findings, we cannot generalize those findings. A complementary method is to estimate aggregate changes in the participation rate attributable to the reform policy. This research estimates the effect of JOBS participation within a pooled time-series model of AFDC participation encompassing all fifty American states during the final thirteen years of AFDC.

Cross-state variation is conceptualized as a product of development, while rational choice measures capture year-to-year dynamics. For example, variation in per capita income, the main measure of development, is presumed to be a function of state differences primarily, without much time-wise variation. Wage and benefit changes, however, relate to day-to-day decisions regarding welfare and employment. Fluctuations over time are probably more important than state differences in relative wage and benefit levels.

Policy variables should reflect both cross-sectional and time-wise variation. For example, the "race to the bottom" thesis is represented by a spatially-lagged dependent variable. The indicator could vary across states, years, or both. This is also true of JOBS indicators. Some states did more with JOBS, and some years had more work participation than others.[13]

Regardless of whether these expectations regarding sources of cross-state and time-wise variation are warranted, it is important to recognize that dealing with both types of variation should improve model specification. The remainder of this chapter describes the data, variables and model estimation methods.

Data and Variables

The dependent variable for the regression analysis is welfare participation--the total number of AFDC recipients divided by the state's population (minus those age 65 and over).[14] For this research, data have been collected for each state for every year from 1984 to 1996. Independent variables that proved useful in estimating AFDC participation rates are listed in Table 2 and described in separate sections below. The discussion includes other variables that, although suggested by theory, failed to improve the model.

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[13] In fact, the first five years of the time series are coded zero for JOBS variables, since the program did not begin until after 1988. These "zero years" are normally employed when testing the effects of a policy intervention (see Box, Jenkins and Reinsel 1994, 463).

[14] The U.S. Department of Human Services (1998, 18) calls this the "recipiency rate," preferring it to a straight caseload measure because of its stability across time.

Table 2. Variables and Characteristics

Variables[a]	Mean	Std. Dev.	Minimum	Maximum
AFDC Participation Rate	4.64	1.61	1.17	9.53
Per Capita Income (in thousands)	17.45	4.30	8.86	33.19
Poverty Rate	13.38	4.17	2.90	27.20
Births to Unmarried Mothers (%)	25.79	6.80	8.20	45.30
Unemployment Rate for Females	6.03	1.80	2.30	13.70
Percentage Black	9.64	9.24	0.24	37.06
Average Monthly AFDC Payment (in hundreds)	3.32	1.26	0.91	7.50
Average Monthly Food and Drink Wage (in hundreds)	6.61	1.40	4.00	10.87
Spatially-Lagged AFDC Participation Rate	4.62	1.13	1.17	9.53
JOBS Participation $_{(t-1)}$	9.14	14.29	0.00	82.00

[a] All dollar figures are in current dollars.

Note: Sources for data are the Statistical Abstract (U.S. Bureau of the Census, 1985-1999), the Report of the House Committee on Ways and Means (U.S. Congress, various years), and the U.S. Bureau of Labor Statistics (1985-1999). JOBS data for 1993 were provided by Lawrence M. Mead (New York University).

Development indicators

Gronbjerg's (1977, 8-17) refinement of the developmental approach relies on Shils (1975, 91-107). She argues that modernization leads to "mass societies" in which the values of the center spread to the periphery. Policymakers become concerned with the well-being of the periphery as a result of expanding wealth, education, and democratic participation. The more modern, affluent states are characterized by political cultures that seek to expand social rights. The expansion of social rights means higher benefit levels, liberalized eligibility requirements, reduced stigma, and increased participation. The less modern, poorer states do not expand social rights; instead they restrict eligibility and keep benefits low. Gronbjerg (1977, 155) found welfare recipiency in the American states to be positively associated with "high mass society status."

The development approach stresses need and economic capacity as determinants of welfare recipiency. Development creates the capacity to assist those who are left behind when industry and technology advance. Recalling the U-shaped curve in Figure 2, we expect economic capacity to have a curvilinear effect on AFDC participation. Backward states should have large caseloads due to the high level of need. High AFDC participation is expected despite a relatively low level of economic capacity, which constrains the benefit level. The most modern states should have large caseloads because of the mass society phenomenon, where economic expansion creates need for welfare and resources to pay for it. Economically developed states that have avoided poverty and urbanization problems should exhibit lower AFDC participation, as should any backward state with a low level of need.

Economic capacity can be measured several ways, but the most common indicators are gross state product (GSP) and per capita income (PCI). Preliminary regression runs indicated PCI to be the most stable predictor, so GSP was dropped from the analysis.[15] Estimation of the U-shaped curve required the use of a squared term in addition to the base PCI term.[16] Following Aiken and West (1991, 62-70), PCI was centered (i.e., standardized), as was PCI-squared. These variables test the development thesis because their regression coefficients indicate the nature of the

[15] According to Kincaid (1989, 9), per capita income is the most widely used measure of fiscal capacity.
[16] The use of a squared term introduces a high degree of collinearity with the base term, although centering the variables attenuates the effect. PCI and PCI^2 are highly correlated, but are left in the model because they retain significance in each other's presence.

relationship. A U-shaped relationship between economic capacity and AFDC participation is indicated if the coefficient of the base term (PCI) is nonsignificant, while the coefficient of the squared term is significant and positive. That finding would support Gronbjerg's mass societies thesis.

The increased need associated with modernization is operationalized in several ways. The positive relationship between modernization and poverty, for example, implies a positive relationship between poverty and AFDC participation. It may seem unnecessary to hypothesize a positive relationship between economic need and AFDC participation. What could be more self-evident than the fact that AFDC participation increases with increased poverty? It is possible, nevertheless, to insulate poverty programs from the vagaries of the poverty rate. That insulation is precisely the goal, at the national level, of the block grant approach to welfare. In spite of this goal, however, a strong, positive relationship between the poverty rate and the AFDC participation rate is expected.

Welfare participation is often associated with urbanization and African-Americans. The relief explosion of the late 1960s and early 1970s is associated with white abandonment of the inner cities. African-Americans fell behind as economic capacity developed in the suburbs. Along these lines, Isaac and Kelly (1982) use urbanization as an indicator of development. This is consistent with the public perception that welfare is an inner-city problem. The proportion of a state's population living in cities of 250,000 or more should be positively associated with AFDC.

The coefficient for the African-American variable could take either sign. According to Gilens (1996, 602), "perceptions of black welfare mothers dominate whites' evaluations of welfare and their preferences with regard to welfare spending." Perceptions about the racial composition of welfare population influence welfare policy. According to Shroder (1995, 188), benefit levels are positively related to the proportion of AFDC households being "anglo." Lower benefits would lead to an expectation of smaller caseloads. Gronbjerg (1977, 82) found that "the larger the percentage of blacks in a state, the lower the AFDC rolls."

On the other hand, higher proportions of African-Americans are also commonly associated with larger caseloads. Perhaps altruism caused a reaction to the increased visibility of poverty outside the South (Mogull 1993, 262; Plotnick and Winters 1985, 462). Black population more than doubled between 1940 and 1960 in the Northeast and the Midwest, while increasing fivefold in the West (Teles 1998, 26). Piven and Cloward (1979, 1012-13) emphasize the pressures felt by Democratic party officials beginning in 1948 when Dixiecrats rebelled against the "civil rights bloc" that had "formed in the Northern wing of the party." Electoral instability, and riots that followed, prompted anti-poverty measures targeting urban blacks. These community action programs, along with legal aid for Southern blacks,

> helped fuel the welfare explosion, for they both enlarged the volume of applicants for welfare, and pushed up acceptance levels by weakening the capacity of the welfare system to fend off new applicants (Piven and Cloward 1979, 1013).

So, the presence of African-Americans drives caseloads either up (Piven and Cloward 1979), or down (Gronbjerg 1977).

Other indicators of need should be positively associated with AFDC recipiency rates. Rates of single-parent families, female-headed households and out-of-wedlock births should covary positively with welfare, as these situations can easily lead to the need for assistance. According to Moffitt (1991, 32), "most of the movements on and off of AFDC are the results of changes in family structure." Harris (1991, 494) notes that "teenage mothers are particularly at risk of long-term dependency." The expectation is a positive relationship between these family structure variables and AFDC rates.

Of the three family structure predictors, the proportion of all live births born to unmarried women proved most stable and robust. The other two measures were dropped from the final equation. Of the three "culture of poverty" variables, the poverty rate and the number of African-Americans per 100 population improved the model. The proportion of a state's population living in large cities was not a robust predictor, and so was dropped.

Rational choice variables

Labor supply theory suggests relationships regarding wages, the value of welfare benefits, and AFDC participation. As the value of the AFDC check,[17] food stamps,[18] Medicaid,[19] and other benefits[20] rises, so should AFDC participation. This increase in participation would

[17] Barr and Hall (1981, 120); Danziger, Haveman and Plotnick (1981, 979).
[18] Melnick (1994, 185).
[19] Hoynes and MaCurdy (1994, 47); Kaus (1992, 115); Moffitt and Wolfe (1992, 615).
[20] Moffitt (1996, 33).

presumably reflect increases in the reservation wages of individual households. Conversely, wage increases should reduce AFDC participation (Burtless 1995, 101; Ellwood 1994, 70-3; Lerman 1995, 17). Wage increases would cause some households to supply more labor, and entice others into the labor market by surpassing their reservation wages.

The rational choice perspective tries to model the tradeoff between employment and welfare. Benefit variables include the average monthly AFDC family payment, the average monthly value of food stamps, and a proxy for Medicaid. During preliminary analyses, several combinations of the benefits were tried. The food stamp benefit was not a useful predictor, nor was the AFDC benefit in combination with food stamps. Medicaid variables were also poor predictors of AFDC participation. The best proxy for "welfare benefits" is the average monthly AFDC benefit.

Employment benefits are captured by the average monthly wage for food and drink occupations. This wage rate represents a realistic wage level to be expected for low-income single mothers. According to Burtless (1995, 101), the "earning capacity of most women who collect welfare is extremely low." Women who are in a position to choose between market and non-market income presumably compare the AFDC check to the paycheck they are likely to get. All else being equal, a higher AFDC benefit would increase welfare participation, while increases in the market wage would reduce the rolls.

Labor market effects are captured by the unemployment rate among females. Unemployment performs well as a predictor of AFDC participation (Council of Economic Advisers 1997, 2; Fording 1997, 19; Isaac et al. 1994, 121; Mogull 1993, 261; Ziliak et al. 1997, 29). The unemployment rate represents the performance of the economy, but it also influences individual decisions. Sluggish economic performance should increase AFDC participation rates by swelling the ranks of the needy. More important, however, is the effect of high unemployment on the net marginal utility of finding a job. High unemployment increases the competition for jobs. All else being equal, the net utility of the hard-to-get job falls below that of the easy-to-get job because more effort must be expended. Tight job markets also exert downward pressure on wages. For these reasons, higher unemployment rates lead to expectations of higher AFDC rates. Unemployment data are available by sex, so the female, male and overall rates were tried. All were significant and positive, but the female unemployment rate was more robust to alternate specifications of the model.

Following Rom et al. (1998, 33), the analysis also included a spatially-lagged AFDC benefit variable (mean AFDC benefit for states sharing a geographic border). In theory, a race to lower benefit levels would naturally follow from increased state-level autonomy. The race to the bottom thesis predicts a negative association between the benefit levels in surrounding states and AFDC participation. If higher benefits are available at an accessible location, say an adjoining state, recipients might move there. High benefit states would attract recipients, thereby depressing the AFDC rates of their neighbors.

A second indicator of interstate influences was also tested. A spatially-lagged dependent variable—the average of AFDC participation rates in surrounding states—tested the assumption that fleeing welfare recipients swell the rolls in more generous neighboring states. Consider a state with meager benefits. If people move away to neighboring states for higher benefits, falling caseloads in the miserly state swell the rolls in more generous states nearby. Therefore, if welfare recipients move about the states seeking higher benefits, the coefficient for a spatially-lagged AFDC participation measure should be negative, as one state's loss is another's gain.

The expectation of a negative coefficient for the spatial lag of the dependent variable arises from an idea that better benefits entice poor people across state boundaries. If this "welfare magnet" scenario actually happens, we should obtain a negative coefficient for the spatial lag. However, there is little evidence of welfare migration. Allard (1998, 48-9) found that less than one-half of a percent of single mothers actually moved to higher benefit states and received those benefits. Moving is expensive, while obtaining benefits in a new state can be quite uncertain even under generous rules. Therefore, welfare migration is not expected.

It seems more likely that a spatially-lagged dependent variable would reflect not welfare migration, but the similar conditions among contiguous jurisdictions. Unlike the spatially-lagged benefit variable, the spatial lag of the dependent variable should reveal the extent to which states in close proximity to one another experience similar AFDC participation rates. It seems far more plausible to imagine regional similarities in AFDC rates. The regional similarity would stem in part from interstate policy influences. Mutually adjusting, geographically proximate states theoretically would exhibit spatial dependence, leading to a positive coefficient for the spatial lag (Odland 1988, 14). Therefore, a negative coefficient for the spatial lag would support the welfare migrant thesis, while a positive coefficient would suggest mutual adjustments to interstate influences.

<u>JOBS variables</u>

A JOBS expenditure measure, an indicator of program scope, and the JOBS participation rate were tested for negative impact on AFDC rates. The scope variable is an additive index representing the degree to which states implement five program options (e.g., on the job training or community work experience). JOBS participation is calculated as countable JOBS participants divided by the number of nonexempt recipients. Of the three JOBS variables, only participation proved useful. The scope and expenditure measures were not robust to alternative model specifications.

The source of JOBS data, the Green Book (U.S. Congress, various years), refers to these participants as "countable" in contrast to a larger category called "active." Federal regulations require that JOBS participation rates be measured in terms of a 20 hour per week standard. The number of participants is "the largest number of persons whose combined and averaged hours in specified JOBS activities equal or exceed 20 per week" (U.S. Congress 1996, 412). In 1994, monthly averages of 579,213 people were active in JOBS activities, but only three-fourths of these participants were countable (p. 419). Those recipients not required to participate include pregnant mothers, mothers caring for a child under three years old, and those persons working 30 or more hours a week.

One limitation in the JOBS data is the potential for biased reporting on the part of the states. However, the JOBS participation measure is highly stable over time. The year-by-year correlations for the variable (e.g., 1995 with 1996) range from .89 to .93. In any case, the JOBS participation measure as calculated here is the same figure states were required to report to the federal government.

If the states reported in a biased fashion, at least the bias was stable across years.

Nationwide, in 1994, about 44 percent of AFDC adults were required to participate in JOBS (U.S. Congress 1996). Although there was wide variation among the states on participation (mean for 1994 was 21.6 percent), no state was penalized for failing to meet the 15 percent standard (U.S. Congress 1996, 422). The JOBS variables were lagged to avoid simultaneity bias arising from mutual causation between AFDC participation and JOBS expenditures. Moreover, lagging is consistent with the notion that the program takes time, perhaps one year or two, to produce its effect. One and two-year lags were tried, with the one-year lag performing better.

Two additional JOBS-related variables were included in preliminary equations. The FSA mandated child-care care assistance to AFDC recipients engaged in work or JOBS activity. Expenditure data for child-care assistance was divided by AFDC recipients and JOBS participants. The variables were removed because they did not predict caseloads reliably. Similarly, an unexpectedly weak finding caused the removal of a "waivers" indicator from the final equation. Coded zero until a state's first 1115 waiver, and 1 thereafter for each waiver obtained, the waiver indicator was not useful.

The analytical approach outlined in the following section provides a method for estimating JOBS's performance in reducing state welfare rolls. The relationship between work requirements and welfare caseloads is important because social rights are being chipped away on the basis of an unproven assumption--that work requirements depress AFDC participation.

Estimation Using Ordinary Least Squares

The analysis employs a time-series cross-section (TSCS) design (also called pooled time-series or pooled cross-section design). This design is ideal when assessing changes over time in AFDC recipiency (Tweedie 1994, 656). It can be applied to many "units" (in this case states) while retaining the advantages of time-series analysis. Incorporating change over time is essential when evaluating a policy intervention like JOBS. Also, the pooling of states allows many independent variables to be used without significant loss of degrees of freedom. With 50 states and 13 years, the N for the equation is 650.

Despite its advantages, a TSCS design is subject to certain limitations. For example, the technique is based on an assumption that pooling the units (states) is appropriate (Beck and Katz 1995, 638). Fortunately, this assumption poses no theoretical problem in the case of American welfare dynamics, because all fifty states administered AFDC programs in largely similar ways. Moreover, residuals from preliminary data runs suggested only minimal unit effects.

TSCS designs are also subject to autocorrelation problems (Sayrs 1989; Stimson 1985). According to Stimson (1985, 926), however, "Cross-sectional dominance simultaneously minimizes the threat of autocorrelated error. . . and maximizes the possibility of bias (or inefficiency) from the specification of unit effects." Since this design is cross-sectionally dominant (i.e., the number of states exceeds the number of years), significant serial correlation would not be expected. Still, autocorrelation was investigated using the pooled Durbin-Watson test statistic. As expected, the errors are not serially correlated; therefore, the equation is estimated using ordinary least squares.

Following Beck and Katz (1995, 645), panel-corrected standard errors (PCSEs) are calculated. Combining OLS parameter estimates with PCSEs eliminates the need for partitioning error variance (the "error components" approach) or estimating multiple intercepts (Least Squares with Dummy Variables) in pooled time-series designs.

Analysts commonly use dummy variables to account for unit effects, but explaining variance in this manner is atheoretical. Since the indicators are not anchored by theory, their coefficients are often difficult to interpret. The error components approach also complicates interpretation of coefficients because variables are transformed to eliminate serial correlation.

Error components techniques are efficient, but inferential mistakes may result from improperly deflated estimates of standard errors. When analysts allow the autocorrelation coefficient to vary across units, standard errors fall drastically and thereby inflate t-scores and "significance" artificially. The combination of OLS and PCSEs, however, yields efficient, unbiased parameter estimates without deflating standard errors (Beck and Katz 1995, 639-40). Significance tests will be based on these corrected standard errors.

A final consideration is multicollinearity. One of the four regression assumptions is the Absence of Perfect Multicollinearity (Berry 1993, 24). Perfect multicollinearity, which would result from the inclusion of two identical independent variables in a single equation, is a problem because it precludes a unique least squares solution. The strong correlation between PCI and PCI^2 has been mentioned (see footnote 15). However, Berry (1993, 27) points out that a base term and a squared term can be included in the same equation without violating the assumption of the absence of perfect multicollinearity.

According to Fox (1991, 13), high variance inflation factors (VIFs) indicate high correlations among the independent variables. VIFs are derived by regressing each independent variable on all others in the equation. If the VIF for a variable exceeds four, it is highly correlated with other predictors. This could reduce the efficiency (significance) of the regression coefficients by inflating the standard errors. As Berry (1993, 27) points out, this is the primary effect of multicollinearity. Other than PCI and PCI^2, the wage indicator is the only variable with a VIF over the critical value of four. The wage variable has a VIF of 5.09, which prompts us to look for symptoms of multicollinearity. Since the wage variable remains statistically significant, while its omission does not affect the other coefficients, correlated predictors pose no problem (Berry 1993, 27).

Conclusion

The purpose of this research is to estimate the effect of work requirements, specifically the JOBS program, on AFDC participation rates. Ordinary Least Squares (OLS) analysis is an appropriate technique for this purpose because it allows JOBS to be treated as a policy intervention (the variable is coded zero prior to 1991) whose caseload-reducing performance can be estimated. The data set consists of several variables measured by state each year from 1984 to 1996.

The strength of this pooled time-series design lies in its ability to analyze the performance of JOBS in multiple jurisdictions over several years. This helps the analysis by increasing the number of cases (n size), and by incorporating information from the population of states every year from 1984 until the end of AFDC and JOBS. Since the design is theory-driven, specification error should be minimized. The results from this analysis of state-level aggregate data are generalizeable, and therefore complementary to site-specific experimental results. The next chapter outlines these findings. Then, the concluding chapter explores the implications of the findings regarding the concerns of practitioners, theorists and poor people.

CHAPTER FOUR

ASSESSING THE EFFECTS OF THE JOBS PROGRAM

This chapter examines the results of the regression analysis of AFDC participation. First, the overall strength of the model is evaluated by reference to the proportion of variation explained. Next, the two theoretical traditions are evaluated. Finally, the performance of JOBS as a caseload inhibitor is discussed. This chapter focuses on the OLS regression equation, but also presents a brief case study of Minnesota as an illustration of the findings.

Strength of the Model

Table 3 displays the TSCS regression model estimating AFDC participation for all 50 state for the years 1984 through 1996. All the proxies for developmental forces take coefficients that are positive in sign and reasonably strong. The measures representing the trade-off between AFDC and employment generate estimates consistent with rational choice theory. The results form Table 3 also show that state welfare policy responds to interstate competition. Before discussing the estimates, it should be noted that the equation in Table 3 is reasonably robust,

Table 3. Explaining AFDC Participation Rates, 1984-1996

Independent Variables	Unstandardized Coefficients	Panel-corrected Standard Errors	T Ratios
Per Capita Income	1.360	0.403	3.37*
Per Capita Income Squared Term	-0.878	0.319	-2.75*
Poverty Rate	0.114	0.020	5.77*
Percentage of Births to Unmarried Mothers	0.104	0.010	10.22*
Unemployment Rate for Females	0.302	0.037	8.21*
Percentage Black	0.027	0.003	8.75*
Average Monthly AFDC Family Payment	0.905	0.048	19.02*
Average Monthly Wage for Food and Drink	-0.524	0.060	-8.71*
Spatially-Lagged AFDC Participation Rate	0.189	0.033	5.81*
JOBS Participation (Lagged One Year)	-0.008	0.005	-1.75
Intercept	-1.991	0.300	6.64*

F	100.92*
Standard Error	1.01
Adjusted R-squared	.60

N = 650
* = p < .01

with an adjusted R-squared of .60 and an acceptably low standard error. The error term is random and normally distributed.

Evaluating the "Mass Societies" Variables

First, the coefficient of per capita income--an indicator of development--is discussed in some detail. Both that measure and its square are useful in the final equation. The positive sign for income (b = 1.36) reveals that states with more economic capacity tend to have more people on welfare. But this is not the whole story. The squared income term has a negative coefficient (-.88) that is statistically significant, indicating a curvilinear effect.

Figure 6 below sketches the effect, in general, from a variable whose coefficient is positive and significant while the coefficient of its squared term is negative and significant (see Aiken and West 1994, 64-67). This graph is presented because it portrays in rough fashion the effect of per capita income on AFDC participation rates.

As state per capita income increases over the lower range, its effect on welfare recipiency is positive (b = 1.36). At the top end, increasing wealth dampens the AFDC participation rate (b = -.88). The overall effect is not

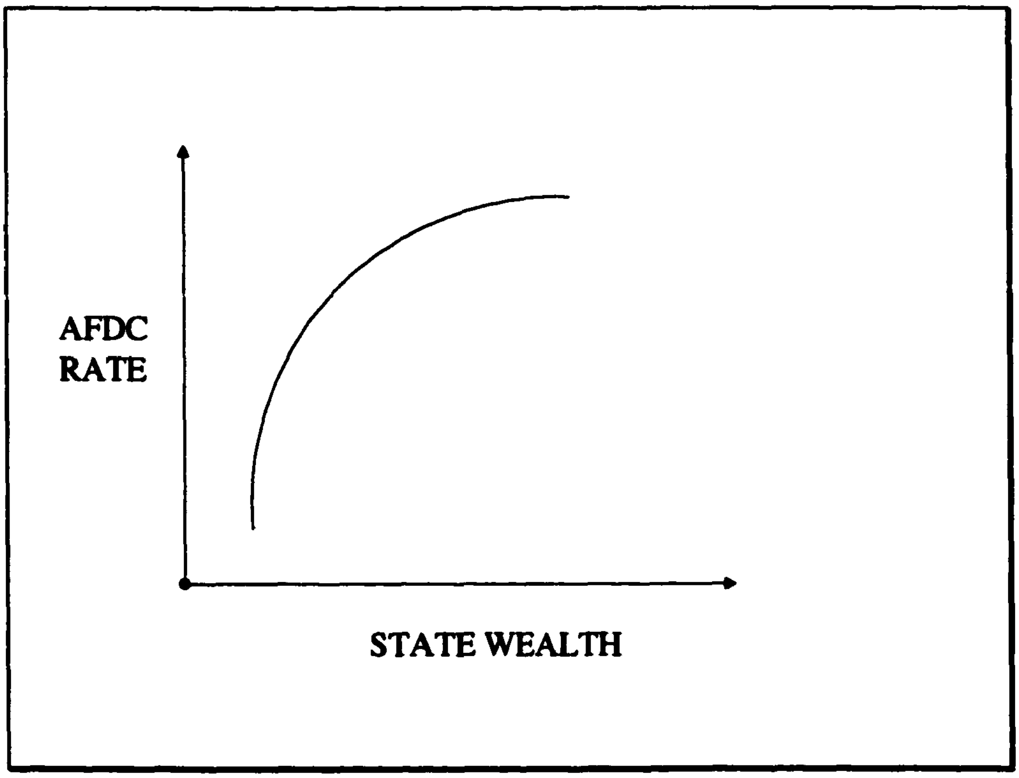

Figure 6. The Multivariate Effect of State Wealth on AFDC Participation.

exactly as Gronbjerg's (1977, 8-17) framework would predict. Instead of a U-shaped curve we find a predominantly positive, concave downward curve. We do not find high AFDC participation among the backward states. Apparently, the increased capacity brought on by accelerated development expands social services, but only up to a point. When other factors are held constant, AFDC recipiency rates level off among the wealthiest states.

The positive sign for poverty shows that need also stimulates higher levels of welfare participation. As the poverty rate increases by 1 percentage point, the AFDC participation rate should also increase about .11 percentage points. This finding also comports with Gronbjerg's mass society framework. Earlier it was noted that increased per capita income, a measure of capacity, increased AFDC (up to a point). As Gronbjerg hypothesized, increases in both need and capacity expand the provision of public assistance subsidies.

A similar effect occurs for our prime manifestation of social disorganization--percentage of births to unmarried women. Here a 1 percentage point growth in unwed motherhood produces about a .10 percentage point increase in the AFDC recipiency rate. This confirms Mead's (1995) finding of a connection between illegitimacy and AFDC caseloads. Recall that Mead based his inference on the coefficients from measures of average case size. Discovering that lower average case size was positively associated with AFDC caseloads, Mead deduced that lower average case size indicated higher levels of teen pregnancy. The positive and significant coefficient for the measure of births to unmarried women supports Mead's tenuous logical connection with direct evidence.

Welfare recipiency is only moderately sensitive to percentage black. A 1 percentage point difference among the states on this variable should produce about a .03 difference in the dependent variable. This does not seem to be congruent with Mead's (1995, 9) finding of a significant negative association between percentage of caseload black and AFDC caseloads. However, Mead's model does not include a time element, nor does it adequately specify larger social and economic influences. The positive association between percentage black and AFDC participation also contradicts Gronbjerg's (1977, 82) finding for an earlier period. Still, it is important to remember that the development perspective could predict the influence of black population proportions either way.

As Gronbjerg (1977, 25) observes, "The presence of large numbers of blacks in a state may result in a stratification approach to public assistance, but that is a hypothesis which must be carefully examined." A stratification approach to public assistance restricts aid to "those of appropriate status" (Gronbjerg 1977, 15). In poor Southern states, blacks may be excluded from full citizenship status and denied assistance. This phenomenon would produce a negative coefficient, as Mead found. However, Gronbjerg found positive zero-order correlations between percentage black and AFDC rolls for 1960 and 1970 (1977, 203).

Apparently, the stratification approach was not prevalent during the final years of AFDC. The altruism posited by Plotnick and Winters (1985) and Mogull (1993), and the social amelioration of Piven and Cloward (1971; 1979) find more support in this finding. Although its effect is not large (.03), the presence of more blacks in a state puts upward pressure on AFDC rolls.

In all, the level of economic and social development among states produces the expected effect--higher levels of modernization provide resources that enable states to respond more generously to those in need. At the same time, modernization produces certain dysfunctional consequences. The result: greater need for public assistance and more welfare recipients.

Evaluating the Rational Choice Perspective

The mass societies framework is supported by the findings in this analysis, but what about the trade-off between welfare and work? The relationship between wages, benefit levels, and the AFDC recipiency rate is consistent with rational choice theory. The amount of the monthly AFDC check has a powerful stimulative effect on recipiency. The coefficient of .91 indicates that a $100 increase in the family benefit is associated with an estimated .91 percentage point rise in the AFDC participation rate. The effect of wages (-.52) is also in the expected direction and statistically significant. If wages increase, AFDC participation falls. When benefit levels increase relative to wages, so does AFDC recipiency.

The smaller effect size for wages seems unusual at first glance, since a dollar of AFDC would seem to be worth about the same as a dollar of wages. Why then isn't the tradeoff closer to a one to one ratio, instead of .91 to .52? The contrasting effect sizes suggest that being on AFDC carries benefits beyond just the monthly payment itself. Observers have long pointed to the ancillary advantages of welfare, beyond the mere money it provides. We are unable to test for other influences directly. But the larger effect for the AFDC dollar compared to a dollar wage increase is entirely consistent with the argument that costs increase, especially for child care and health care, when women move from welfare to employment. Like AFDC benefit increases, these costs add to a household's reservation wage, and therefore put upward pressure on welfare rolls.

Another source of upward pressure is the economic cycle. The unemployment rate among women is one of the stronger influences. As female unemployment goes up by 1 percentage point, the proportion of the population on welfare also should climb about .30 points. For example, the number of AFDC recipients for the average state for this 13-year period is 238,150 while the mean for population (minus those persons age 65 and above) is 4,378,352, indicating a 5.44 percent participation rate. Assume female unemployment increases by 1 percentage point, driving AFDC participation up by .30 to 5.74. This results in about 13,222 additional AFDC recipients (.00302 * 4,378,352 = 13,222) in the "typical" state.

Evaluating the "Race to the Bottom"

The results from Table 3 also show that state welfare policy responds to other external factors, especially interstate influences. Although the spatially-lagged AFDC *benefit* measure was not a stable or reliable predictor of a state's AFDC participation (and was dropped from the analysis), the spatial lag of the *dependent variable* shows a positive and statistically significant coefficient.

A 1 percentage point average increase in AFDC recipients (per population under age 65) in adjoining states increases AFDC participation in the state they all adjoin by .19 percentage point. This variable could be capturing regional effects, or perhaps states try to forestall welfare migration by adopting eligibility requirements and benefit levels similar to those of their neighbors. If so, they are doing a good job, since the coefficient for the spatial lag of AFDC participation is positive. A negative coefficient would have indicated interstate migration, perhaps due to the existence of welfare magnet states.

Analyzing the Effects of JOBS

Now we come to the JOBS measure. Its -.01 coefficient shows a modest effect, one that falls just short of the .05

level of statistical significance. The probability of Type I error is less than .10, but above the conventional .05 level. Still, it can be said that a 1 percentage point increase in the "countable" proportion of JOBS "mandatories" leads to a .01 decrease in the rate of AFDC recipiency the following year. In the typical case a 1 percentage point increase in JOBS participation would reduce the following year's AFDC caseload by about 350 recipients (.008% * 4,378,352). Perhaps it is useful at this point to illustrate this effect, along with the other estimated effects, by plugging the results into an actual case.

Interpreting the Results: The Case of Minnesota

In order to add some clarity to these results, a specific example applying the data to an actual state is appropriate. Minnesota provides a good case study. Its population is close to the national average for states, and Minnesota fits the model well (residuals low in magnitude).

Recently, Minnesota has been in the news for the success of its welfare to work program (Pear 2000). The Minnesota Family Investment Program (MFIP) is a cutting-edge program that imposes tough work requirements, but also provides generous and ongoing support, especially child-

Table 4. The Model Applied to Minnesota, 1995-1996

Variables	Change	Coefficient	Change x Coefficient	Change in Recipients
Per Capita Income	.57	1.360	.7752	31,570
Per Capita Income Squared Term	.75	-.878	-.6623	-26,818
Poverty Rate	.60	.114	.0684	2,786
Percentage of Births to Unmarried Women	.50	.104	.0520	2,118
Unemployment Rate for Females	.10	.303	.0303	1,230
Percentage Black	.06	.027	.0016	66
Average Monthly AFDC Family Payment (00)	-.44	.905	-.3982	-16,216
Average Monthly Wage for Food and Drink (00)	.26	-.524	-.1362	-5,548
Spatially-Lagged AFDC Participation Rate	-.43	.189	-.0813	-3,310
JOBS Participation (Lagged One Year)	2.00	-.008	-.0160	-652

Note: Per Capita Income and Per Capita Income Squared Term are standardized by *z*-score (centered).

care assistance, throughout the transition to work (Knox et al. 2000, 4). Minnesota would be as likely as any state to have succeeded with JOBS. Table 4 shows the changes Minnesota experienced from 1995 to 1996 to illustrate JOBS performance.

The AFDC participation rate for Minnesota in 1995 was 4.47 percent. In 1996 the rate had dropped to 4.19 percent. At the same time population, as we measure it, rose from 4,035,732 to 4,072,524. In 1995, Minnesota had 180,397 recipients (4,035,732 * .0447). If this rate had remain unchanged in 1996, 182,042 recipients (4,072,524 * .0447) would have resulted. Instead, only 170,639 recipients were reported (4,072,524 * .0419). This decrease amounts to 11,430 people (182,042 - 170,639). To what do we attribute this change from the expected number of cases? Table 4 predicts that only 652 are associated with the JOBS participation measure.

Applying the model to actual data indicates a net increase of 4,752 recipients due to higher per capita income (31,570 - 26,818). An increase of 0.6 percentage points in the poverty rate is associated with 2,786 additional recipients. Births to unmarried mothers increased by half a percentage point, swelling the rolls by

2,118. The one-tenth of a point increase in unemployment translates to 1,230 new recipients. A slight increase in the proportion of African Americans works out to 66 additional recipients. The remaining variables are associated with decreases in AFDC recipiency.

The average monthly AFDC check in Minnesota decreased by $44 in 1996. This change is associated with a decrease of 16,216 recipients. Meanwhile wages increased by 26 dollars a month, which would lead us to expect a decrease of 5,548 more people. An additional decline of 3,310 is expected due to neighbor effects. This leaves the JOBS measure.

Minnesota increased its JOBS participation measure by two percentage points from 1995 to 1996. The mean for all states for all years (24%) is about the same as Minnesota's during those two years (19.17% and 21.16%, respectively). As Table 3 indicates, Minnesota's increase in JOBS participation is associated with a decrease of 652 AFDC recipients. This is not a large effect, of course, when compared with the other components of the model.

Conclusion

This chapter examined the effects of several independent variables on AFDC participation rates. The overall strength of the model was confirmed by the level of explained variance, the theoretical plausibility of the regression coefficients, the random and normally distributed error term, and the small standard error of the regression. The development approach found support in the coefficients for indicators of capacity and need. Moreover, the coefficients for rational choice variables were consistent with theory. The nonsignificant effect for JOBS was also expected.

We saw in the Minnesota data a snapshot of JOBS's caseload reducing performance. An increase of two full percentage points in JOBS participation was associated with a decrease of just 652 recipients. This finding complements experimental results about the modest effect of JOBS. Given the modest effect of work requirements at the twilight of the AFDC era, what can be said about work and welfare in the post-reform era? This question is the subject of the concluding chapter.

CHAPTER FIVE

CONCLUSION: JOBS, TANF AND BEYOND

The purpose of this research has been to test the "work" strategy for reducing welfare caseloads. The goal of welfare reform, agreed upon by Democrats and Republicans, is caseload reduction. Aggregate data were compiled and analyzed in order to assess the extent to which the "work" strategy, operationalized as the JOBS program, reduced welfare recipiency. Among other findings, a very modest, nonsignificant effect for JOBS emerged.

The 1996 welfare reform relies heavily on work as an antidote to "dependency." But have we any reason to expect work requirements to spur people to leave welfare? Recent experience provides an opportunity to analyze the effects of work requirements. The Job Opportunities and Basic Skills (JOBS) program was created as part of the Family Support Act of 1988 (FSA), a welfare reform that established work requirements for recipients of Aid to Families with Dependent Children (AFDC). JOBS can be thought of as a case study in work requirements. Since the 1996 reform relies on work requirements to reduce welfare participation, it is easy to justify a search for empirical evidence of that connection. This research analyzes the impact of the JOBS program in the American states. The effects of work requirements are estimated within a quantitative model of AFDC participation that draws heavily from two theoretical perspectives.

The "Mass Societies" perspective emphasizes economic development and modernization as indirect determinants of AFDC caseload size. A rational choice perspective proceeds from the assumption that individuals weigh alternatives before choosing public assistance. The literature provides some support for both perspectives, but they generate opposite expectations of programs like JOBS. One advantage in using both perspectives is this disparity. Development theory would not predict a significant effect from JOBS, but rational choice theory would (under the right circumstances).

Along with these two broad perspectives, an emergent strain of scholarship linking a state's welfare policies to those of its neighbors is represented. These influences are captured indirectly by a "spatial lag" term summarizing AFDC participation in surrounding states. Although the variable of interest is the JOBS program, the regression equation also reveals information about more general issues in social science (e.g., modernization effects, self-interest calculations, and policy borrowing).

The results generally support development and rational choice theories. Increased capacity brought on by accelerated development in more modern states allows more generous provision of social services. Need also stimulates higher levels of welfare participation. Poverty rate increases are associated with AFDC recipient rate increases. As rational choice theory would predict, higher benefit levels and lower wages increase welfare participation. The results also show that state welfare policy responds to other external factors, especially interstate competition. The coefficient for the spatial lag term is positive and statistically significant.
Work requirements associated with the 1988 reform have not significantly affected AFDC participation rates. The estimate of JOBS' impact is negative, as expected, but quite small. A percentage point increase in JOBS participation is associated with a decline in AFDC recipiency the following year of just 0.008 percentage points. When the model is applied to a real case, the magnitude of JOBS' effect on AFDC participation ranks ninth among ten variables.

What, then, can be said about work and welfare? Clear messages can be taken from the previous chapters. For practitioners, theorists and poor people, the messages might be disconcerting. Practitioners must think in new ways about a new mission. Theorists must evaluate the switch from development theory to rational choice theory. Working poor people must respond to a complex package of incentives that interacts with uncontrollable life events. The remaining sections of this chapter explore these implications of JOBS's performance.

Practitioners

Welfare reform has asked welfare workers to transform themselves. Social workers of past generations were concerned primarily with getting the appropriate benefits to the people who needed them. Now, many social workers have stepped outside the old confines of the job, evolving into employment agents. Social workers now want to put people to work and get them off assistance. The goal is no longer to merely establish eligibility and enroll the recipient, but to make sure the client (or applicant) enters the labor market as quickly as possible.

Falling caseloads indicate at least some success, but the task will probably become more difficult because of the many barriers to employment among TANF clients. According to Zedlewski (1999, 4), "a large share of recipients report personal and family characteristics that could present significant challenges to work." Poor health, limited job experience and education deficiencies significantly reduce the probability of a successful transition to employment (Zedlewski 1999, 2). Clients without employment barriers, however, have left TANF in great numbers.

Welfare agencies seem to have embraced their new role. Professional conferences exude enthusiasm for employment gains. So far, however, only one side of the trade-off between "work" and welfare has received most of the attention. There has been a focus on getting *welfare* incentives properly aligned so that people will flood the labor pool. This has entailed benefit reductions and TANF eligibility restrictions. However, the regression equation reveals another avenue of success--wages. If welfare workers can step outside of themselves enough to stock the labor market with single mothers, perhaps they can also pay attention to wages. As aggressively as caseworkers encourage "work," they might also try to encourage employers, or policymakers, to increase wages.

In a hypothetical land where all people get off their couches and work, there is no need for welfare. This we all seem to understand; yet, we pay little attention to the corollary. Most people look at TANF caseloads and see people who aren't working. However, welfare caseloads also indicate a deficiency in wages. Market equilibrium suggests a level of wages high enough to cause people to supply labor in the market. People choose not to supply labor, theoretically, because wages are not high enough.

In a hypothetical land where all workers receive at least the reservation wage, there should be no need for welfare. In this light, public assistance may be viewed as a government subsidy to aggregate wages. Under *laissez-faire* economics, aggregate wages would be funded entirely out of profits. Unfortunately, an economy that underfunds wages may observe the magnitude of that decision in the size of the welfare caseload. Recall the negative coefficient for the wage variable. All else being equal, wage increases reduce caseloads. Refusals to pay adequate wages result in welfare cases as surely as lapses in human character do. Yet JOBS contains no language mandating a level of wages sufficient to entice people into the labor market. Perhaps this half-hearted application of rational choice theory is to blame for the failure of JOBS to reduce the rolls.

Will TANF, a beefed up version of JOBS, reduce welfare recipiency rates? Results from this research should lead no one to expect such an effect. If work requirements produced only a minimal effect in the face of overwhelming contextual influences, TANF, which is not very different from JOBS, warrants little, if any, optimism. The falling caseloads of the TANF era are impressive, certainly. The booming economy, however, is undoubtedly driving the decline. Moreover, "most experts" believe that up to one-third of the AFDC caseload was unemployable (Milbank 1997, 21). The present analysis, which indicates only modest caseload reduction associated with JOBS, is persuasive because it covers a period that was not dominated by a booming economy. At some point, the economic boom will cool off. Only when the economy shifts downward will the performance of TANF really be tested.

The evidence presented here gives us no reason to expect TANF to reduce welfare participation rates. Handler (1995, 150) suggests why reforms are unlikely to be associated with caseload reductions.

> Times are hard and everyone is sore about welfare, about people not helping themselves, and once again the solution is to set the poor to work in spite of

> overwhelming evidence that work policies and programs generally fail to reduce welfare rolls in any appreciable way or improve the economic self-sufficiency of the poor.

The results presented in this research are consistent with the above assessment. We should not expect TANF work requirements to aid in the reduction of caseloads, dependency or social isolation. Caseloads reductions are attributable to decreases in out-of-wedlock births and poverty, as development would predict, and to competitive labor markets (low unemployment) and adequate wages, as rational choice theory would predict.

Theorists

As mentioned in the previous section, the results from the regression equation generally support both development and rational choice theories. Increased development leads to increased welfare participation. Higher benefits attract people to welfare, while higher wages reduce the rolls. These findings are consistent with rational choice theory, as is the finding that states respond to the actions of their neighbors, thus minimizing the probability of welfare in-migration. The weak finding for JOBS, however, calls into question the rational choice perspective. Rational choice appears to be an incomplete, while nonetheless dominant, theoretical framework for welfare.

This analysis began with recognition of the tarnished image of the American welfare system. A program that had been set up to keep mothers and children together suffered politically when the labor force feminized. Similarly, welfare, as a concept in American society, suffered when rational choice won over the community of academic experts and, perforce, welfare experts. The 1962 Amendments to the Social Security Act embraced the rational choice version of welfare. This version of welfare believes that perverse incentives induced welfare recipients away from labor pool.

According to the rational choice argument, something was wrong with the incentive package. This presumably caused recipients to rationally supplement market income with non-market income. There is, however, a weakness in the rational choice welfare argument. This weakness originates in the poor fit between rational choice and welfare dynamics. Rational choice is an appropriate framework when applied appropriately; but it has been inappropriately applied to welfare.

When a rational choice theorist observes the existence of a welfare caseload, what is the interpretation of this phenomenon? A welfare caseload means that individuals have chosen non-market income over market income. If too many individuals are choosing too much non-market income, we want to reduce that caseload. It should be a simple matter to adjust the incentives, thereby reducing the number of individuals choosing non-market income. What are these incentives?

Two basic incentives impact a decision to pursue non-market income--its value and the value of its alternatives. Welfare reform, for rational choice theorists, includes the manipulation of incentives in hopes of reprogramming the cost-benefit calculations going on in the heads of single mothers. Frequently, however, only one side of the incentive structure gains attention. The welfare benefit level, perhaps because it is something that *can* be manipulated, is the subject of endless welfare research. On the other hand, few economists would recommend subjecting wages to manipulation by welfare experts. The uneasy fit between economics and welfare illuminates both rational choice theory and welfare policy.

Economists believe that only the most carefully considered market interferences should be permitted (Friedman 1962, 2-3; King 1987, 80-85). The preferences and actions of individuals can otherwise be relied upon to deliver markets to equilibrium. Rational choice theory views a welfare caseload as a labor market problem to be solved. Problems are solved by adjusting incentives. However, to solve the labor market problem, wages must rise. Apparently, employers are underfunding wages if individuals are choosing non-market income over market wages. Welfare participation results from the failure of the labor market to arrive at an equilibrium wage that entices all able-bodied people to supply labor. Market failures are customarily corrected with government intervention.

In a state of perfect equilibrium, wages would gravitate to a level where all able-bodied workers are induced by one worker's share of aggregate wages. When wages are underfunded, either not enough workers have been hired to do all the tasks, or those who are working are not paid enough. How do we know when wages are underfunded?

Wages are underfunded when some able-bodied individuals choose non-market income instead of market income—that is, they choose welfare over work. This is what an economist looking at a welfare caseload also should see--underfunded wages. Such reasoning should make sense to an economist. What makes little sense to an economist is the notion that incentives can be adequately adjusted by tinkering with welfare benefit levels while ignoring wages. Economists recognize that wages influence the individual's decision. At the same time, however, wage regulation is antithetical to rational choice theory. This situation presents a dilemma for the rational choice theorist.

Altering wages to coax people off welfare should prove problematic to an economist. Wages are supposedly settling into market equilibrium, most of the time, without help from the government. However, one test of wage equilibrium is whether the aggregate amount of wages is adequate to induce all able-bodied individuals to the labor force. Only when that condition is met should we expect no one to choose welfare. When wages are underfunded, rational individuals should be expected to choose non-market income.

Unfortunately, wages will be inadequate when jobs are scarce. During a recession, employers demand less labor, lowering wages. A reduction in wages, for an economist, would undoubtedly impact the individual cost-benefit calculations regarding market and non-market income. All else being equal, lower wages would be logically consistent with additional (also fully rational) welfare recipients.

If employers always funded wages adequately, there would never be a need for non-market income (e.g., welfare). Sadly, welfare experts focus elsewhere. The problem is presumably not wage levels, but a perverse incentive structure and a lack of "individual responsibility." Welfare recipients somehow possess bad preferences (which are, by definition, impossible), choosing not to enter the labor market. These rational choice welfare experts developed, at great expense, a welfare-to-work program based on this incongruous, welfare-specific version of rational choice theory. The program did not accomplish its stated goal. JOBS, a product of rational choice theory, failed to reduce AFDC participation. This failure of rational choice theory should not be surprising, however, given wages that are politically sacrosanct, and exempt from manipulation.

Rational choice finds welfare to be a great challenge, and must bend over backwards to explain its dynamics. To really coax people into the labor force, you might need to adjust wages. However, since economists don't like that sort of market interference, they take rational choice theory in an unusually inefficient direction. They stop being nonjudgmental about preferences, and no longer view individuals as rational utility maximizers. Since wage interference is inconsistent with rational choice theory, economists switch to a different type of thinking. They incorporate a nonliberal, judgmental interpretation of welfare recipiency.

In a rational choice world, all preferences are supposedly equal. But to welfare economists, preferences for non-market income are somehow less equal. When dabbling in welfare, rational choice theorists forget their theoretical underpinnings and give in to an ancient temptation. Normatively evaluating preferences, they violate the basic liberal principle. The liberal tradition, from which rational choice theory evolved, seeks at all costs to avoid declaring some preferences good and others bad. Therefore, welfare paints the economist into a corner, for she must acknowledge that controlling the incentives means controlling wages. Instead of tinkering with wages, however, she blames the rational individual--the recipient--for being rational.

Development theory did not survive the multi-disciplinary shift to rational choice. The paradigm surrendered prominence even in a policy area for which it was well suited. Development theory and welfare made sense in each other's contexts, because each is a part of the other's context. Development theory denies that choice has much to do with welfare. Some people belong to groups that are left behind. In those cases, according to development theory, market income should be supplemented by non-market income.

Rational choice and welfare, on the other hand, do not work well together. When the subject is welfare, rational choice scholars tell us it is bad to choose non-market income. This is uncharacteristic because choices are presumably based on preferences, which are taken to be exogenous. Exogenous preferences are not good or bad, they just are. Therefore, an economist should be quite reluctant to say either that a welfare recipient is bad, or that she is not rational, for simply choosing A over B. "Good" and "bad" are normative, and do not apply, while rationality is absolutely presumed.

Development theory and welfare grew up in symbiosis. They had reasons to be together. Then, something strange happened when rational choice replaced development theory--welfare policy stopped being about welfare. It is unfortunate, at least for welfare, that development theory has held little sway in the American states. Our welfare policy has not been about welfare since rational choice theory became dominant. No one denies the inadequacies of development theory, but it was at least connected to welfare. Moreover, the encroachment of rational choice theory into welfare policy has not led to the accomplishment of stated objectives.

Rational choice theory is concerned with welfare as an aspect of the labor market. The application of rational choice theory to welfare is perverse, because welfare corrects the glaring deficiencies of the rational choice perspective. Welfare is about the gaps in human survival left by capitalists. Rational choice thinking applies to some policy areas; but welfare is different. Rational choice theory has been thrust upon it for largely political, not scientific, reasons. Few policymakers seem to care whether the rational choice approach actually lifts people up from dependency. They do seem confident that another objective is within sight--expanding the labor pool.

It is now the job of welfare agencies to provide the firms of the U.S. with an abundant labor pool. Welfare agencies are to put people to work. Since the dominance of rational choice theory was visited upon welfare policy, welfare has become a development horse pulling a rational choice cart. Is this good or bad? What ends are served? Perhaps welfare itself, like development theory before it, will soon be elbowed out by rational choice theory. However, there is a corollary.

Free market approaches to the labor market problem have resulted in underfunded wages. We know this because we have seen preferences for non-market income among actual individuals--the welfare recipients. But we are unwilling to demand adequate wages from employers, so we instead require people to work even when their responses to actual incentives would differ. Applying rational choice to welfare has resulted in a glaring incongruity for rational choice theorists. These theorists are telling people to either change their bad preferences to good ones (i.e., learn how to prefer a low wage) or stop behaving rationally (i.e., choose what you do not prefer). This strange posture for rational choice theorists illuminates the inappropriateness of its application to welfare caseload dynamics.

The Working Poor

America's brief experiment with social rights has ended. The feminization of the labor force and the hegemony of rational choice theory fueled a belief among Americans that able-bodied people should participate in the labor market. Labor market participation has acquired "virtue" status. People are now expected to participate in the labor market, regardless of circumstances. Welfare reform has embodied this expectation.

The brief interlude of social rights runs approximately from the death of John F. Kennedy until the 1980s. Soon after assuming the Presidency, Lyndon Johnson launched the Great Society programs, ensuring access to public assistance according to national standards of need. Supreme Court decisions of the late 1960s and early 1970s affirmed the entitlement status of AFDC. These affirmations proved ephemeral, however, especially when conservative governments came to power.

Beginning in 1967 with WIN, earnings disregards were employed to entice people into the labor market. Twenty-one years later, the FSA imposed work requirements, and accompanying sanctions, on non-exempt AFDC recipients. Then, in 1996, PRWORA added the requirement that states reduce their caseloads. The end of social rights could be marked by the 1986 recommendation of the Domestic Policy Council that states be given wide latitude to design and implement demonstration projects. This policy direction ensured the death of social rights by throwing the doors open to the states to experiment with new approaches to welfare.[21] The approach so far has been to require labor force participation in most cases. The work requirement makes the welfare benefit conditional upon a performance, thus removing it from the constellation of rights. Public assistance is not a right, but a conditional outcome.

The entitlement status of AFDC was attacked as encouraging dependence, and therefore blamed for the ever-expanding welfare rolls. Conservatives expressed moral outrage at able-bodied and second-generation recipients, while liberals criticized the system's adverse effects on African-Americans. To liberals, caseload reduction was desirable to the extent that it reflected poverty reduction and the cultural assimilation of African-Americans. For conservatives, caseload reduction, the primary goal of reform, was intrinsically desirable. The chosen method for achieving caseload reduction has been the "work first" strategy. This strategy emphasizes employment over education and training.

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[21] It is, by contrast, quite unlikely that states would ever be encouraged to conduct murder trials, which involve civil rights, in varied and innovative ways.

Unfortunately, the work strategy is not only misguided in a theoretical sense (see above section), but also fails to lift people out of welfare "dependence." JOBS participation did not significantly affect AFDC participation. What does this tell the single mother about TANF? According to the logic of reform, reducing AFDC participation is a necessary condition for reducing the tragedies associated with dependence and cultural isolation. A reform that does not affect the AFDC recipiency rate is not, according to the logic of reform, reducing dependency or breaking the cycle of poverty. And JOBS did not affect AFDC participation rates. Did it do anything?

JOBS did many things. First, it closed off options for people near the bottom of the income ladder. Second, it stigmatized AFDC recipients, although these people already had a severe image problem. Third, JOBS sanctioned families and households for failing to meet work requirements. In sum, JOBS, and welfare reform in general, have made public aid recipients worse off. Moreover, the punitive and harmful consequences that JOBS delivered only half-heartedly, TANF promises whole-heartedly.

Conclusion

It would appear that the actual purpose best-served by reform is not really caseload reduction. JOBS did not lift people up from dependence. If JOBS did not help people up from dependence, it could only have been detrimental to social service clients. This is because JOBS diminished the content of social rights. TANF represents the same kind of thinking about welfare and about human nature. Still, some important differences between JOBS and TANF suggest a larger impact from the latter reform.

Unlike TANF, JOBS was not implemented with vigor. Glazer (1995, 24) comments on the JOBS program's "remarkably limited" expectations for moving people off welfare. For example, JOBS participation was not required of mothers with children under three years of age, while the TANF exemption applies only to mothers with children under one year. Rising state budgets and the national recession also constrained JOBS, as many states had to forego federal matching funds available under FSA. Because of such constraints, JOBS served a relatively small subset of AFDC parents (U.S. General Accounting Office 1994, 2). As Mead (1997, 68-9) points out, it was more likely under JOBS for a welfare recipient to be non-working and not involved in an employment program. Nathan (1993, 121) agrees that implementation of JOBS fell short. JOBS work supports, including transitional Medicaid and child care benefits, were not provided on a large scale to working poor families.

TANF has been called "an intensification of both the obligation and the opportunity dimensions" of earlier reforms (McGroder et al. 2000, 6). JOBS programs often emphasized education and training, but TANF emphasizes work first. The philosophy under TANF is that any job is a good job. Public aid recipients must be working within two years of the time they start receiving TANF. Federal TANF funds cannot be used to extend aid beyond sixty months to any individual, and states are required to meet work participation targets.

With respect to opportunities, TANF contains "greater supports for work, with almost all states now treating earnings and assets more generously, and significantly more federal funds available for child care" (McGroder et al. 2000, 6). TANF also closes off options. One example of this is the fact that college no longer qualifies as work participation. Students must fulfill the work requirement in addition to their study obligations to retain the TANF grant while in school. The message seems clear. It is more important to increase the supply of labor than to invest in human capital.

The differences between JOBS and TANF suggest a possibility that TANF could be partially responsible for the dramatic decline in welfare recipiency. In addition to a robust economy and expanding demand for workers, the intensified approach to labor activation would theoretically reduce caseloads. If the main problem with JOBS was weak implementation, TANF may be working.

Perhaps a model for success, the Minnesota Family Investment Program (MFIP) imposes tough work requirements while also providing generous earnings disregards and ongoing support, especially child-care assistance, throughout the transition to work (Knox et al. 2000, 4). Earnings disregards and work supports reduce dependency because they "make work pay." To the extent that sanctions and requirements are supplemented with work supports like child-care, room for optimism exists. It is important to remember, however, that as of this writing Minnesota is exceptional in this regard. States are required to use the stick, but the carrot is optional (Jencks 1997). Given the uncertainty associated with state flexibility, the more reliable answer to welfare dependency is wage growth.

The future of public assistance, at least in the forms to which Americans have been accustomed, seems very much in doubt. It is anyone's guess what the new world of low-income survival will look like. The history of welfare reform, and of JOBS and TANF in particular, suggests a parade of ineffective "solutions" based on inappropriate theories and inaccurate beliefs about welfare recipients.

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