

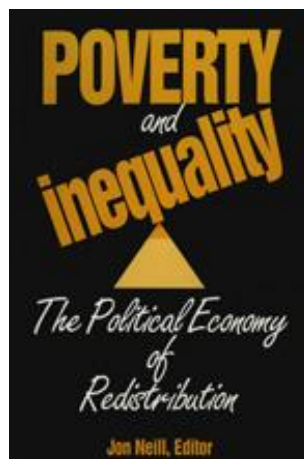
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## Welfare Report – 1996 Style: Will We Sacrifice the “Safety Net”?

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# Welfare Report—1996 Style

## Will We Sacrifice the “Safety Net”?

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Why is it that we have welfare reform on our plate again? In my opinion, the reasons are neither cost or program growth, nor any notion that we have a “welfare crisis,” irrespective of what either President Clinton or House of Representatives Speaker Newt Gingrich say. Moreover, there are no new or startling revelations of waste and inefficiency.

In part, we got into this debate again because President Clinton started it. The fact is that every President since 1970 has had a welfare reform plan save George Bush. But this pushes the issue back a step. Why has every President felt a need to place this issue on the nation’s agenda? In part, all observers agree that current income support policy contains bad incentives and gives the wrong messages to recipients; moreover, it has failed to reduce poverty.

For two decades now, we have seen antipoverty expenditures rising, but poverty has not been reduced. Under these conditions, it is difficult to argue that the strategy is working, especially when people are impatient. Moreover, the system that we have in place now has visible adverse incentives and a bewildering, multi-program patchwork that leads to well-known examples of horizontal inequity—among states, between one- and two-parent families, and between the working and nonworking poor. It discourages work, encourages family breakup, and prohibits the accumulation of assets beyond a bare minimum.

However, beyond all of these reasons for why we are again enmeshed in this debate is a simple overriding fact. There now exists a fundamental gap between the objectives of welfare and related programs and the society’s social and economic goals.

At their core, existing welfare programs seek to secure for the market income poor a level of after-tax, or disposable, income that exceeds some minimum standard. They do this by distributing direct cash payments and providing essential goods.

Citizens today, on the other hand, see something quite different from the simple need for income assistance when they think of the poor population. Contrary to when the welfare system was started, we now expect that able-bodied women with children should contribute to their own well-being through work. We have also come to believe that for able-bodied people, there should be some *quid pro quo* associated with the provision of income support. And, if those requiring help are not job-ready, some seem to believe in education and training, rather than direct cash support; others advocate temporary public help followed by a termination of assistance.

At an even more fundamental level than work behavior, nonpoor citizens today expect minimum standards of civil behavior and responsible lifestyle decisions by those who receive public support. They are offended by dependency, teen out-of-wedlock births, homelessness, drug abuse and crime—all of which they see prevalent among the welfare recipient population.

While the images may be colored by stereotypes and prejudice (these problems are also concentrated in the African-American and Hispanic populations), to a large slice of nonpoor Americans, many of those in the bottom tail of the distribution today are there because of irresponsible choices they have made: the choice to bear children out of wedlock as a teen, the choice not to complete high school, the decision to refuse minimum wage employment when it is available, the decision to abuse drugs and sell them, the willingness to run in gangs and to engage in crime and violence, often against other poor people. After all, the poor did not used to be like this. And while many may be willing to admit that economic and social factors, urban schools, and the barriers created by racial prejudice may make these choices a rational response to the options available, they nevertheless seem to conclude that these socially costly and destructive outcomes are the result of choices encouraged by the welfare system.

If this characterization is true, the questions that people ask today about the current welfare system become more understandable. If recipients are able to engage in productive activity, why don't we require work as a condition of providing cash and in-kind assistance? If they are unable to break into regular jobs because of a lack of training or a lack of child care or health support, why don't we encourage them—or force them—to get whatever jobs they can so that they can

accumulate the work experience necessary to advance? If they are having additional children who can be supported only by taxpayer assistance, or if they are working off the books, or drug-dealing when they should be learning, or opting not to marry in order to sustain public payments, or not requiring their kids to go to school, why should we simply provide support without attempting to change these behaviors?

In short, changes in general social standards, changes in the characteristics and behavior of the poor and welfare recipients, and changes in our expectations of them have created doubts about the wisdom of the welfare system as we know it.

### **Some Background on Poverty and Welfare Policy**

Before getting into the specifics of the welfare reform debate, this section of the chapter presents some basic facts on poverty and welfare. Table 1 provides an overview of antipoverty programs since 1970. The years in the table correspond to peaks in the business cycle (1989 and 1992 are included for completeness).

The first two columns of the table show the number of persons with market incomes below the poverty line before and after cash transfers. Although not shown, in 1960, 39.9 million people (22.2 percent of the population) had after-cash transfer income below the poverty line. By 1970, this number had fallen to 25.4 million (or 12.6 percent of the population). Some combination of economic expansion, demographic changes, increased coverage and generosity of the social security system, and the War on Poverty/Great Society programs caused this improvement. Since 1973, however, the poverty population has increased sharply. The gain from 1979 to 1989 is particularly distressing; the sustained period of economic growth from 1982 to 1990 failed to raise the economic position of the poorest among us. Contrary to earlier experience, this rising economic tide did not lift these boats, and as a result, the common belief in the antipoverty impacts of good macroeconomic performance has been shaken.

Columns 4 through 6 show federal expenditures on the largest cash or “near-cash” means-tested—or antipoverty—programs. Through these programs, the nation currently spends around 1 percent of GDP on families and individuals with incomes below the poverty line.

**Table 1. Poverty Population and Real-Cash and Near-Cash Transfer Program Expenditures, Selected Years**

<b>Year</b>	<b>Number of pretax, pretransfer poor (1000s)</b>	<b>Persons in official poverty (1000s)</b>	<b>Percent of population in official poverty</b>	<b>AFDC benefits<sup>b</sup></b>	<b>Food stamp benefits</b>	<b>SSI benefits<sup>b</sup></b>	<b>Total benefits</b>	<b>EITC expenditures</b>	<b>Benefits as a percentage of GDP</b>
1970	n.a.	25,420	12.6	\$15,051	n.a.	\$10,627	\$25,678	n.a.	0.70
1973	n.a.	22,973	11.1	22,382	\$7,186 <sup>a</sup>	10,801	33,183	n.a.	0.78
1979	42,783	26,072	11.7	19,382	11,184	13,672	44,238	\$3,966	0.92
1983	52,700	35,303	15.2	17,975	16,585	13,247	47,807	2,528	1.00
1989	49,052	31,534	12.8	18,120	13,760	16,640	48,520	7,462	0.82
1990	50,851	33,585	13.5	18,529	15,717	17,277	51,523	7,437	0.87
1991	54,679	35,708	14.2	19,319	18,463	18,520	56,302	9,689	0.96
1992	57,350	36,880	14.5	20,431	21,884	21,258	63,573	11,783	1.05

SOURCE U.S. Congress (1993, pp 678, 867, 1058, 1312-13, 1609), U S Bureau of the Census (1993a, p. xviii); Council of Economic Advisors (1994, table B-1, p 268, table B-59, p. 335)

NOTE. Benefits in millions of 1992 dollars.

a Includes administrative costs of the program in 1973.

b Includes state and federal benefits.

The Aid to Families with Dependent Children (AFDC) program, commonly referred to as “welfare,” is the largest antipoverty income support program directed at families with children. The overwhelming bulk of recipients are single mothers and their children. The real value of aggregate AFDC benefits peaked around 1973; over the next ten years, real AFDC expenditures fell by almost 20 percent. Over the same period, the number of persons in families with incomes below the poverty line increased by 54 percent. Real AFDC expenditures have edged up since 1983. About 14 million people receive AFDC benefits, and two-thirds of them are children. AFDC spending accounts for about 1 percent of the federal budget, and about 2-3 percent of the budgets of most states.

The decline in AFDC benefits has been more than offset, in the aggregate, by a rapid increase in expenditures on the food stamp program, the nation’s only antipoverty program available to all of the poor. There has been modest growth in the combined value of AFDC and food stamps.

In addition to these cash or near-cash benefit programs, a number of additional federal programs have significant antipoverty components. These include the medicaid program, public housing or housing assistance, and the Head Start program.

Finally, in the next to last column, information on the earned income tax credit (EITC) is shown. The EITC is a refundable tax credit on earned income directed primarily toward low-income workers with children. It is a major antipoverty program administered on the tax side of the budget. While its cost was about \$12 billion in 1992, by 1996, the EITC is expected to be the largest cash or near-cash program directed toward low-income families with children.

This constellation of existing tax and transfer measures represents an important contribution to improving the lives of the nation’s most disadvantaged and to reducing the incidence of pretax and pretransfer poverty. The full set of programs existing in 1991 removed from poverty nearly 20 million of the 55 million pretax and pretransfer poor; without these programs, the nation would have had a poverty rate of 21.8 percent, but with them in place the actual poverty rate was 14 percent. Without the programs in place, it would have taken over \$160 billion (in 1991 dollars) to close the poverty gap; with them, the remaining poverty gap stood at about \$52 billion.

This synopsis of poverty and welfare programs provides the necessary background for any sensible discussion of reform. However, this discussion cannot ignore how the U.S. economy has been evolving over the past twenty years. The simple fact is that the erosion of labor market opportunities for people with low levels of education has placed an enormous strain on the nation's antipoverty programs.

The figures in table 2, which show median incomes of men and women by their level of educational attainment, reflect the serious increase in inequality in the American economy. More important, they show the deterioration at the bottom of the distribution, which has contributed to the growing gap among the rich and the poor. In 1973, the median male with one to three years of high school had about \$24,000 in income (in 1989 dollars); by 1989 the median worker with the same level of education had only \$14,439 in income. Note that while the fall in income has been enormous for those with little education—both male and female—it has been greater for men than for women. Even so, the income level of women remains well below that for men.

**Table 2. Median Income of Persons 25 and Over, by Educational Attainment and Gender, Selected Years, 1989 Dollars**

Year	Males			Females		
	High school		College 4+ years	High school		College 4+ years
	1 - 3 years	4 years		1 - 3 years	4 years	
1967	\$22,858	\$26,894	\$39,186	\$7,574	\$10,800	\$19,205
1970	23,442	28,034	40,527	7,629	10,866	19,735
1973	24,079	30,252	41,065	7,920	11,087	19,667
1979	18,697	26,416	36,636	6,726	9,085	16,923
1983	15,138	21,932	35,188	6,531	9,326	18,427
1989	14,439	21,650	37,553	6,752	10,439	21,659

SOURCE: U.S. Bureau of the Census (1990), for 1967-1983 figures, U S Bureau of the Census (1991); for 1989 figures.

I now want to consider the merits and implications of the two "reform" plans offered: the Clinton administration proposal and the proposal contained in the "Contract with America," which has served as the basis for the legislation passed by the Congress and signed into

law by President Clinton in 1996. Though the currency of either plan is certainly open to question, both are likely to be important reference points over the next several years during which the new legislation will be implemented.

### **The Clinton Welfare Reform Proposal: Making Work Pay**

It is into this maelstrom of political and economic pressures that the Clinton administration strode, promising to “end welfare as we know it.” But exactly what is this plan, and how effective is it likely to be?

President Clinton’s proposal was designed to “make work pay” through an expanded EITC, supplemented by child care assistance and job training. Indeed, a large step toward attaining this goal had already been taken by the time the President announced the remainder of his welfare reform plan. A major expansion of the earned income tax credit had been part of the 1993 Omnibus Budget Reconciliation Act (OBRA93). By 1998 the program is projected to cost \$24.5 billion, \$7 billion of which is the result of the 1993 expansion. For taxpayers with incomes in the lower earnings range of the credit, the expanded EITC can be thought of as a well-targeted increase in the minimum wage, to \$5.95 per hour for families with two or more children, from \$4.25 an hour. The expanded credit will deliver benefits to more than six million working taxpayers with incomes below the poverty line, will close the poverty gap by \$6.4 billion, and will raise the incomes of over one million taxpayers to a level above the poverty line.

The proposal of the Clinton administration was also designed to make parents responsible, in part through child support enforcement and requiring women who give birth to establish paternity in the hospital. It would make recipients experience “Workfare”—including education and training—through a signed contract between recipients and government. It would discourage teen motherhood, by forcing teen moms to either live with their parents or send the check to the parents. It would change the “culture” of the welfare office by transforming caseworkers from check writers to counselors assessing capabilities and work out a training/education plan designed to achieve independence.



Finally, the Clinton proposal would force recipients to leave welfare after some point; “two years and out” is its most popular manifestation. Those able to work will be forced to operate in a world in which income support is a temporary and transitional “help,” a mechanism designed to enable people to get their lives in sufficient order to live independently, relying on the returns from their own efforts. When the time limit for support has been reached, recipients will be turned out to find their own way in the world of work, assisted by child care subsidies and, of course, health coverage as a part of the president’s health care reform proposal; if they are unable to find work, the government will presumably guarantee them a low-paying public service job (or, in some descriptions of the program, subsidize the private sector for providing jobs). However, this provision would have applied only to young recipients—those born after 1971—and then only to those with children older than one year. And, recipients not able to find a private sector job would be allowed to keep their public service job indefinitely—if they play by the rules, continue to search for a job, and not decline a job if it is offered.

The analytical support of this plan by administration spokespeople was consistent. They did want to change the expectations of the poor and establish a new norm. They did want to threaten the loss of benefits, in part because of the change in expectations that will result. At the same time, they sought to make jobs and working more attractive through supplements, services, and training. Their presentations made it clear that they saw health care reform as prior to welfare reform.

### **How Does the Clinton Plan Stack Up?**

How do these elements of the Clinton proposal fare, especially in light of our critique of current policy? First, in my view, the expansion of the EITC is an extremely important, effective measure; it increases the return to work for taxpayers with children and does so in a coherent manner within the structure of the personal income tax. It will reduce poverty, and it has the right incentives.

Increasing efforts to collect and assure child support and to routinize the collection system are also to be commended. However, those who

have studied this possibility—and who are its biggest advocates—suggest that no more than a marginal increment in the available income support will accrue to most mothers now on welfare.

The provision for time-limited welfare, training and education through workfare, child and health care assistance, and a guaranteed public service job are, in my view, dangerous territory. While changing the rules and benefit structure of welfare programs to minimize the rewards available for dysfunctional behavior is one thing, effectively canceling income support is quite another.

The fact is that most current recipients lack the basic capabilities to work themselves out of poverty on their own, even if they were to work full time, full year at the wage rate that their education, experience, and health characteristics would command. Take a look at table 3. Women recipients of AFDC are not a picture of job readiness. Nearly one-half of their children are less than five years of age, nearly one-half of them are high school dropouts, and less than 10 percent are working at all.

**Table 3. Characteristics of AFDC Caseload, 1979-1991**

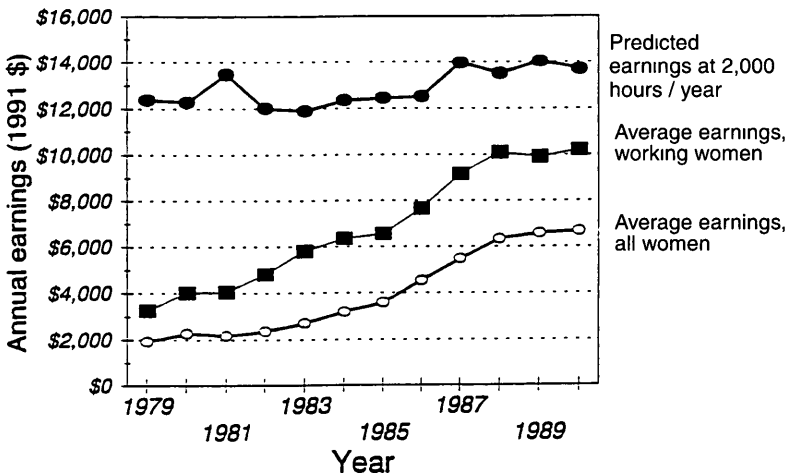
Characteristic	March 1979	1986	1991
Ages of children			
Under 3	18.9	21.0	24.8
3 to 5	17.5	21.1	21.4
6 to 11	33.0	32.4	32.6
12 and over	29.8	24.3	21.4
Education of mother			
8th grade or less <sup>a</sup>	18.2	11.9	11.2
1-3 years high school <sup>a</sup>	39.8	35.5	35.1
4 years high school <sup>a</sup>	36.0	42.9	40.7
Some college <sup>a</sup>	5.2	8.4	12.2
College graduate <sup>a</sup>	0.8	1.2	0.8
Unknown	47.8	59.7	49.9
Mother's employment status			
Full-time job	8.7	1.6	2.2
Part-time job	5.4	4.2	4.2
Cases with reported earnings	12.8	7.5	7.9

SOURCE: Committee on Ways and Means, *1993 Green Book*, pp 696-97.

a Percentage distribution among mothers whose educational attainment is known.

Figure 1, taken from a recent study by Gary Burtless at the Brookings Institution, gives a sense of what these women would be able to earn if left on their own in the regular labor market. The bottom two lines show what former recipients have earned after leaving welfare. The top line is the most revealing one. It shows the amount of earnings of women with the capabilities of those who are now welfare recipients, if they were to work full time, full year. This level of earnings would leave the bulk of these families below the poverty line, even assuming that they could find such full-time jobs, and moreover it fails to recognize that the bulk of them have children who would require child care assistance were these mothers to work such hours.

**Figure 1. Actual and Predicted Earnings among Women Who Received AFDC in 1979-1982**



SOURCE *The Work Alternative*, Nightengale and Haveman, eds , p 84, Washington, D C . Urban Institute Press (1995). Used with permission

While numerous training or welfare-to-work programs appear to pass a benefit-cost test, it is but a dream that the sort of training and remedial education that will be offered through “workfare” will make these people job-ready and economically independent. Moreover, the total costs of operating a reasonable public service jobs program are sufficiently high—in the neighborhood of \$12,000 to \$15,000 per

worker per year—that current budgetary constraints insure that the demand for slots would far exceed the supply.

### **The “Contract with America”—Another Approach**

Not long after the announcement of the Clinton plan, the midterm elections of 1994 were held, and both houses of Congress changed from being controlled by the Democrats to being controlled by the Republicans. The new majority party had run on a multipronged platform, called the “Contract with America,” which included a welfare reform proposal.

The Republican approach to welfare was quite different from any that had been suggested heretofore. Although its specifics became modified in the process of congressional debate, its basic approach remained constant. In particular, the congressional proposal would:

- Turn over to the states—in the form of “block grants”— the funding for welfare (AFDC) that the federal government had been providing (less some amount to reflect expected efficiencies) and allow the states to do whatever they wanted with poor people in their jurisdictions. Moreover, the amount handed over would be kept constant for five years. As a result of this, poor people in various categories would no longer be entitled to support.
- Along with the “block grants,” the federal government would impose a variety of constraints on how the states could use the money. In particular, they:
  - could not provide benefits to teenaged nonmarried mothers.
  - could not provide an increase in support to mothers who had another child.
  - could not provide support to either legal or illegal immigrants, with a few exceptions.
  - would deny benefits for life to any child who was born to an unmarried mother who gave birth while a recipient.
  - would beef up child support enforcement, much along the lines of the Clinton proposal.

- would impose a 60-month (or 5-year) cumulative limit on the time that recipients could secure support from the state program. Unlike the Clinton program, this limit would not be accompanied by support for education, training, child care, or public jobs once the time limit was encountered.
- would cut back on funding for other programs helping low-income people, such as food stamps, medicaid, and Head Start, and would seek to scale back the EITC.

### **How Does the “Contract” Stack Up?**

Clearly, this congressional approach begins from a quite different and far more harsh view of the safety net programs in place in this country designed to help the least well-off among us. While one might view this harsh stance as sending a lesson regarding self-sufficiency and responsibility to adults who are recipients, it will inevitably carry adverse consequences for their children. Moreover, because the bulk of the people who will be affected by these harsh measures are African-American or Hispanic, the impacts of these measures across racial boundaries, may be quite unequal.

A variety of other concerns are also relevant in assessing this approach. First, some of the specifics of the program appear to be based on simple ideology, apart from any research knowledge or facts. For example, there is simply no evidence that the current system, which increases support along with family size, has encouraged additional births among the recipient population. One would be hard pressed to find a reputable researcher advocating the opposite position. Second, the notion that there is substantial money that can be saved seems to rest on a hope, rather than evidence. There is simply no evidence suggesting that efficiencies of the amount claimed are available to any new administrative procedure, whether state-based or not. Third, the constitutionality of the measures as they pertain to legal immigrants is an open question. These people, after all, are required to pay taxes, and are drafted into the nation’s military when additional personnel are required. Finally, by failing to provide support for training, education, child care and job search—and by not requiring work-related efforts

while receiving benefits, the “Contract” proposals seem weaker on work than does the Clinton plan.

This discussion leaves an overriding question regarding the longer term impact of the measures in the “Contract”: What will happen to those recipients and their families who lose their benefits? While no one really knows, if I were pushed into a corner I would speculate that 10 to 15 percent of them would make a successful transition into the world of work and become self-sufficient, but at a low level. Another 70 percent or so would “cope”—they and their children would be severely disadvantaged, but they would adjust by combining households or moving in with relatives, or they would work some in intermittent and informal jobs. They would be poorer and even less capable of nurturing their children, but we wouldn’t be vividly confronted by their hardships. We would only see the effects on their children a decade or two down the road. The remainder—say, 10 to 15 percent of those losing benefits—would become truly destitute. The effects on them would be obvious; homelessness would be only the most visible effect. The stock of recipients who now face benefit cutoff because of a five-year rule is about 1 million; 10 to 15 percent of this number is about 100,000 to 150,000. On average, each of these recipients has two children; hence, we are considering 300,000 to 450,000 people who would be visibly destitute. Surely, some of these would find their way onto the rolls of the Supplemental Security Income program—at federal government expense—or into the foster care system, at state and local expense.

Yet, it is the basic approach of this stern “Contract with America” proposal that is reflected in the new legislation passed by Congress, and signed—albeit reluctantly—by President Clinton. While some of the “Contract’s” harsh edges have been sanded down, the entitlement of welfare has been eroded, block grants to states provided, work mandated, and prohibitions on assistance to various groups imposed.

### **Is the Real Problem “The Welfare System,” or Is It the Collapse of the Bottom End of the Labor Market?**

Unless I am wrong, the most critical problem of both the Clinton proposal and the Contract with America is their common presumption

that the least able groups of the nation's working-age population can be successfully coerced into that niche of the labor market that has performed most poorly. As I have already noted, the low-wage sector is already struggling to absorb a large and growing flow of immigrants, both legal and illegal, as well as a rapid increase in female labor force participants, many of whom have few skills and little experience. If ever there was "swimming against the tide," this is it.

It is my strong judgment that these plans fail to address adequately the damper that the low end of the labor market places on opportunities for low-educated workers. The implicit assumption seems to be that the low-wage labor market can, without major dislocation, absorb up to two million additional low-skilled welfare recipients over the next few years. I have serious doubts that this is possible.

I would urge readers to note that there are interesting, high-potential policy ideas available for both increasing the private demand for low-skill labor and making these low-paying jobs more attractive. I am chagrined that neither the administration nor the Republican Congress has paid more attention to the potential of some of these options.

After all, numerous possibilities have been studied, and some have come away with rather high marks. One possibility would be a program modeled after the New Jobs Tax Credit, a measure that we actually had in place in the 1970s. The NJTC offers a tax credit in the range of \$4,000 to \$7,000 to employers who increase their employment level over some base level in the previous year. Because the credit is a flat amount, it forms a higher percentage in the wage bill for less-skilled workers than for more highly paid workers. It tilts the hiring decision towards lowest-wage workers.

Observers are convinced that a nontrivial increase in job creation for low-skill workers can be generated through this arrangement at a rather low cost to the Treasury, especially if the program is taken seriously, and publicized and administered efficiently. I would note that I am referring here to a universal program and not to the targeted jobs tax credit program.

A second possibility, this time on the supply side of the market, would be a wage rate subsidy. This program would complement an expanded EITC and make work pay even more directly. In this plan, a target wage rate, assume, say \$10 an hour, would be set. Any worker taking a job at less than this amount, say \$6 an hour, would be subsi-

dized at a rate equal to 50 percent of the difference between the actual wage of \$6 and the \$10 target. Take-home pay would be \$8 in this example: the \$6 per hour market wage and the \$2 wage rate subsidy. The effect of the plan would be to simply and effectively give low-wage workers, all low-wage workers, a labor-market advantage. It would make regular private sector work at low wages more attractive than it is now. Again, a number of potential concerns would have to be worked out, and the effects of the measure on the overall level of the market wage would have to be monitored.

The combination of this pair of employment incentives would improve the operation of the low-skilled labor market by generating ongoing demand- and supply-side pressure for the creation of jobs for marginal workers at reasonable cost. As such, it would equalize employment opportunities. By targeting the additional employment on underutilized segments of the labor market, national income could be increased without significant inflationary pressure. The combination will fundamentally alter the wage structure in private labor markets, raising the take-home pay of low-skilled workers relative to those with more secure positions in the labor market. The cost of an employment subsidy arrangement such as this would be substantially lower than providing equivalent jobs through public service employment, and lower still than dealing with the aftermath of the drastic cutbacks envisioned by the "Contract with America." Surely these suggestions should not be excluded from any serious national debate on poverty and poverty policy.

## **A Few Final Reflections**

Let me conclude with a few final reflections on poverty and welfare in the United States today.

My first reflection is that welfare reform policy is no longer antipov-erty policy. No longer do observers emphasize that the ultimate goal of all of this activity is to make the lives of poor people better than they are now. Getting people to work is equated with making their lives better; perhaps this might happen in the long run, but for sure, not in the short term.



A second reflection concerns institutions that no longer work in American society, and difficulty of government in replacing them. I have been struck by the enormity of the task of replacing families, churches, and neighborhoods by government. I am struck by how difficult and expensive it is to bring a young person, a child, to a position in which “work will work.” Perhaps there is a lesson in our own personal experience that would be of use to government. How do we do it for our kids? Well, first we give them lots of education with monitoring and advice and expectations and parental participation in schools. Then, when they finish their schooling, we support them for a time while they get their heads together. Sometimes they engage in job search, sometimes they ski, sometimes they travel. Following this, we actively and in a one-on-one relationship, help them with job search. We help them prepare a resume, we put them into touch with friends and acquaintances, we help them to prepare for job interviews—all so they can find their own special niche in the world of work. Finally, we often support them in moving to another location, often far from our home if that is where the best opportunity for them is.

The main lesson, I fear, is that doing this effectively is costly, very costly. There is simply no way to do it on the cheap. The realization of this truth makes more distressing our talk of making welfare recipients self-sufficient with a reform that will at the same time save resources devoted to low-income families and their children.

A third reflection also relates to changes in the institutions that support and nurture the young. Like many other social scientists, I too am distressed by the growing incidence of out-of-wedlock births. But I am no less distressed by the Draconian measures regarding it often advocated by observers such as Charles Murray. There are, it seems to me, few good options here. There is moral suasion; there is denial of benefits; there is the requirement that teen mothers stay with their parents, perhaps frequently in a relationship that neither parents nor children will find productive; or there is keeping going as we are. Nothing looks very good, yet doing nothing seems wrong as well. I am simply troubled by what appears to be a near total lacunae concerning what appropriate and effective policy in this area might be.

In summary then, any cogent debate of welfare policy must begin with the recognition that a new economic, social, and ethical order is in place. This reality would seem to rule out certain options—such as a

negative income tax—despite their theoretical and practical appeal. However, the mandating of work for millions of low-skilled people in a labor market environment in which relative demands and wage rates are falling seems unworkable, though consistent with the new reality. If this is ultimately what “welfare reform” is all about, an increase in poverty will be the result, and the next generation will experience all of the correlates of “growing up poor.” If welfare reform reflecting this new reality takes the form of such work mandates, measures designed to improve the performance of the low-skill labor market would seem to be a necessary and natural complement.