

Major Issues in Time-Limited Welfare

by

David T. Ellwood
(December 2, 1992)

"We will scrap the current welfare system and make welfare a second chance, not a way of life. We will empower people on welfare with the education, training and child care they need for up to two years so they can break the cycle of dependency. After that, those who can work will have to go to work, either by taking a job in the private sector or through community service."

Bill Clinton

The President-elect has called for an "end to welfare as we know it", by empowering people to leave welfare during a two year transitional period, followed by some sort of mandatory work. The language of the campaign is consistent with a variety of strategies. Consider two extreme alternatives:

Spend modest amounts seeking to make work pay and try to collect more child support. Expand the existing JOBS program by adding somewhat more money for employment and training programs. Then mandate states to require community work experience for people who stay on more than two years. Work hours would ordinarily be determined by dividing benefits by the minimum wage. No recipient would be expected to work more than 35 hours, and some recipients, such as those with young child or with a disability might have to work fewer hours or be excused from the program altogether.

Concentrate on finding ways to move people off of welfare by using non-welfare support strategies including expanded programs to make work pay, child support enforcement and assurance, and expanded education and training. Seek to minimize the number of people who end up on welfare for more than two years. Terminate welfare for employable recipients those who remain past two years and offer them some sort of government or publicly subsidized job.

While both of these strategies are consistent with the rhetoric of the campaign,

they reveal a fundamental difference in emphasis. The first strategy would concentrate most of the money and energy into the creation and supervision of the community jobs program through which welfare recipients would work off their welfare check. The second would focus much more heavily on non-welfare support strategies to move people off welfare and keep them off, would have a stricter limit on welfare, and would offer people who exhausted their welfare benefit a job instead of welfare.

In my view the ultimate goal ought to be to genuinely transform the welfare system. The starting point is to make work pay and guarantee that everyone has medical protection just as Clinton proposes. The ending point could be some sort of time limited welfare and jobs program. But the focus surely ought to be on finding ways to empower low income families, on finding ways to eliminate the need for welfare. That seems to make moral sense, it makes economic sense, and it makes practical sense. For one thing that becomes abundantly obvious when one looks hard at the details of any time-limited welfare and work program is that there will be many weaknesses. The best time-limited welfare program is one where no one hits the limit.

Candidate Clinton made clear that the goal was to find a way to help people move off welfare first. He called for making work pay, for stricter child support enforcement, and for some form of universal medical protection. There is no doubt that coupled with a stronger economy, these measures will reduce the welfare roles. But no one believes that these measures alone could reduce the caseload more than about 25% and that may be quite optimistic. Thus in the Clinton proposal, the call for time-limits loom large.

This paper examines three key issues in a time-limited welfare system:

1. What is the nature of additional income supports, services, and training that accompanies the time-limited welfare plan?
2. Will the work program represent work *in exchange for welfare* or work *instead of welfare*?
3. Will eligibility rules for determining who must go to work after some time limit be loose or strict?

There are an astonishing number of questions which must also be answered, but in my view, these are the big three. I look at each in turn.

Additional Services and Supports

The impact, the cost, and the moral legitimacy of time-limited welfare hinge critically on what happens in addition to such a program. It is hard to justify time-limited welfare on any grounds if there is no viable alternative to welfare for many women. I, along with many others have repeatedly emphasized that the current system of supports for single mothers puts them in an impossible position.

All parents, married or single, face a difficult task of nurturing and providing for their children. Two parent families can balance those duties in a variety of ways. Indeed the most common arrangement today is for both parents to work. But usually only the father works full-time all year. The mother usually works part time or part year. Only about a third of married mothers work full time all year. But single parents don't have that kind of flexibility. They really only have two choices: they can either work all the time or they can go on welfare.

If single parents choose full-time work, they must simultaneously meet the demands of work and the need for child care, the many daily crises involving doctor

visits, school holidays, sick children, to say nothing of maintaining a safe and happy household. Women from highly advantaged backgrounds find these demands very heavy. For mothers with a limited education, with little or no work experience, with young children, it can be an almost impossible task. Is it really realistic or fair to expect all single mothers to work more than more than 70% of married mothers do?

The only alternative at present is welfare. And it is a not a very attractive option. No state pays enough in welfare and food stamps to keep a family out of poverty. Adjusting for inflation, benefits are vastly lower than they were 15 years ago. The welfare system frustrates and isolates and humiliates and stigmatizes. Welfare offices are designed in large part to prevent fraud and abuse, to deliver aid in the right amount at the right time. Applying for welfare is a major undertaking. Inevitably, welfare clients must return repeatedly to the welfare office. Welfare and food stamps and housing and social services are separate programs, each with its own rules, its own demands, and sometimes its own office.

Worse still is the way welfare treats people who try to play by the rules, people who attempt to work their way off of welfare. Welfare benefits are reduced dollar for dollar with earnings. In a state like Pennsylvania, a woman working full-time at the minimum wage earns only \$2,400 extra. That is like working for \$1.20 per hour. And half of that \$2,400 comes from the Earned Income Tax Credit (EITC)--money she collects only at the end of the year if she bothers to submit a tax return. On a day to day basis, she seems to be working for 60 cents per hour. Even if she can work full-time at \$5.00 per hour, her income is only \$3,400 higher and she loses her Medicaid--

something worth several thousand dollars. No wonder administrators in states like California and Massachusetts find that unless a woman is placed in a full-time job which pays \$6 per hour or more, with full-medical benefits, and low day care costs, she is likely to come right back onto welfare.

It should come as no surprise that only a small fraction (20-25%) of women leaving welfare actually "earn" their way off. And most of them are the better educated and more experienced women who can command a relatively high wage. Other women try to leave. Indeed recent evidence suggests that a very large fraction even of newly enrolled young welfare recipients leave welfare for work early on. But there is almost always some setback, often something relatively small, such as a sick child, which causes them to lose their job and return to welfare. No wonder the most common way to leave welfare permanently is via marriage, not work.

If we are truly to "end welfare as we know it", we must make it realistic for single parents to support themselves outside the welfare system. There are three basic methods for doing so: make work pay for every low income worker, increase the earning capacity of single parents through training programs, and insure single parents have some non-welfare support.

The *make work pay* strategy has been developed in detail elsewhere. Ideally it uses a combination of tax credits, higher minimum wages, universal medical protection to ensure that a full-time worker can realistically support a family of four at least at the poverty line. The medical protection is particularly important, since a host of anecdotal evidence suggests that working poor families are most concerned about their lack of

medical protection. There is both statistical and anecdotal evidence that a fear of losing Medicaid is major deterrent for women considering leaving welfare for work. Making work pay and universal medical coverage were central elements in the Clinton proposals. One element that was talked about but not addressed with much specificity was increased support for child care. Though the current poverty line does not deduct child care costs from income, the cost of child care reduces the real income of families. And again both anecdotal and statistical evidence suggest that child care costs play a crucial role in the lives of many working or would-be working poor families.

Increasing earning capacity via *education and training* has long been the darling of social reformers. If people can get sufficient training to raise their earnings to a level where they can realistically support themselves through work, they have no need for welfare, and they achieve real control and independence. There has been some demonstrated success with employment and training programs for single parents. Annual earnings gains of from \$100 to \$1000 have been found in various programs, depending on the nature and intensity of the program. Most programs with a moderate per recipient cost rarely increase earnings more than \$300-\$500 per year. And most of the earnings gains come from increased work, not higher pay.

These employment and training gains are useful and important, but we have yet to find a training program which alters the fundamental economics of single-parenthood and welfare. It still takes a full-time job at 50-100% above the minimum wage with good medical benefits and low day care costs to allow a single mother to support her family and be better off than welfare in most states. It is possible that the expansion of the

EITC, indexing of the minimum wage, and the expansion of medical coverage, will improve the effectiveness of training programs in getting women off of welfare. Still, it is hard to see how any program lasting only a few months can make a profound difference for a woman who has fared poorly in other educational systems. And it will still require full-time work for a woman to adequately support her family. Is that realistic for a young, never married mother without any previous work experience?

The third strategy is to provide some *additional income support* to single mothers in some form. One plan is to increase work incentives within the welfare system. Unfortunately, experience to date suggests that such plans have little impact on work and that women find mixing work and welfare to be the worst of all worlds, offering neither independence and control, nor much improvement in income. The other major strategy that has been proposed is child support enforcement and assurance. Clinton has endorsed dramatically improved enforcement, but not the assured benefit.

If single parents could count on some sort of child support or other non-welfare income support, then it becomes quite possible for them to work even part-time at the minimum wage and be better off than on welfare. This level of work seems realistic and fair. Unfortunately, improved enforcement alone cannot guarantee that single mothers will get support at a reasonable level and in a timely fashion in many cases. And that, of course, is the argument in favor of an assured benefit. Recall that an assured benefit that is fully offset against welfare offers no net gain in income to the non-working mother on welfare. It merely changes the form of the payment (more from child support, less from welfare). What an assured benefit does on net is to dramatically

change the position of someone who goes to work, for that person can keep the assured benefit along with their earnings.

Ultimately I believe that we will have to use all three strategies together. Training programs will work much better if recipients don't need need to work full time at 50% above the minimum wage to escape welfare and poverty. Child support enforcement and assurance alone cannot do the trick. But together they could make real the principle that all healthy, employable single mothers really can support themselves and their children without welfare.

Policymakers who ignore the need for services and supports of various supports will find a time limited plan far less viable. Effectiveness, cost, and moral legitimacy are all undermined without strong supports. Consider effectiveness first. The easier it is for people to leave welfare for work, the more likely it will be that the programs will be successful. Fast training programs have shown a capacity to increase work hours, but not wages. If increased work hours make work a viable alternative to welfare, then work is likely to increase. It is likely that the make work pay ideas alone will increase the viability of work for an important segment of the welfare population. But so long as self-support requires full-time work and day care costs, many women will be unable or unwilling to move from welfare to work. That's why a combination of all three strategies (make work pay, training, and non-welfare income sources) seem likely to create the greatest effect.

Consider also the impact on cost. If only a few women are able to move from welfare to work, then the number of people who will need to be put to work will be

massive. At least 3 million women have probably been on welfare for two years or more. If half of these are required to work, the cost and mechanics could be staggering. And recall, all these would still be in the public support system. At the same time, providing any services and non-welfare income supports costs money. No one has any clear idea of the tradeoffs between spending more on supports and the cost of creating jobs. But surely these tradeoffs deserve very close study. And a strategy that costs the same but puts people to work in private, non-subsidized jobs should surely be preferred to one which places people in long term government jobs.

Finally, one comes to the question of moral legitimacy. Some, such as Larry Mead, argue that it is morally legitimate and socially desirable to insist on work even if there are few viable alternatives to welfare. Still, the moral basis for a time-limited welfare program is significantly greater if single mothers can unambiguously support themselves through a realistic level of work outside the system. If only 1/3 of all married mothers work full year full time, is it fair to ask all single mothers to work fully in order to realistically support their family out of poverty? If a woman can realistically support her family through a combination of half or two-thirds time work and child support or some other form of support, then one has a very strong basis for time-limiting welfare in many cases. But if onerous or unrealistic demands are placed on people who are highly disadvantaged, who clearly will need real support to reach independence, claims of moral legitimacy are severely reduced.

Work In Exchange for Welfare or Work Instead of Welfare

The second major design question concerns the form of the work program. Will welfare recipients work off their welfare checks or will the plan be one where recipients are cut off welfare completely after some period and are offered jobs which pay a wage for services rendered, the way jobs traditionally do.

Work-for-Welfare. This is often called workfare. Work-for-welfare is quite simple in theory, and endlessly complex in practice. Persons receiving public assistance must work in order to receive their benefits. The usual formula is that the expected hours of work is calculated by dividing the benefits received by the minimum wage. In principle, the person is "working off" or "working for" their welfare check. Thus depending on the welfare benefits paid in the state and on other income which the welfare recipient has, the mandatory work could range from a few hours to full-time work. Some work-for-welfare plans limit the number of mandatory weekly work hours to something less than 40 depending on circumstance. In general such plans limit not only the minimum number of hours, but also the maximum. These are not jobs that one can work at for 40 hours per week and earn extra money if the welfare payment is covered by working just 10 hours.

The jobs provided under such plans could range from public to private, but the most obvious and best understood strategy uses "community work experience" program (CWEP), whereby jobs are created in non-profit or the public sector.

Work-Instead-of-Welfare. Work-instead-of-welfare suggests a fundamentally different sort of support system. For at least some group of people, welfare would no longer be

available after some period. Instead, they would be guaranteed some sort of government created or subsidized job. In principle, these would be more like "traditional" jobs, with well defined hours (full or part-time) and work expectations. There would be no artificial limits on maximum and minimum hours worked. The nature of such public jobs might range from something like the work of the Civilian Conservation Corps to community service jobs, not so different from CWEP.

The major distinction between the two types of work plans can be summed up by the words used to caricature them: *workfare* and *public jobs*. While these are properly considered two ideal types, there are quite naturally a wide range of intermediate cases. Work-for-welfare need not limit the maximum number of hours worked. The jobs provided may be quite similar under the two plans. Public jobs need not contemplate the full termination of the welfare program for anyone. Still, distinctions between these types is quite significant.

Adopting a work-for-welfare strategy offers several advantages. First, it clearly limits the cost of the program. If work hours are determined by dividing existing benefits by the minimum wage or some other formula, one can be certain that the cost of the program will not grow beyond the cost of creating, administering and supervising the jobs, since they are, in effect, paying out only what is paid out already in the form of welfare.

Second, because the jobs will be linked to welfare and subject to a variety of restrictions, it is unlikely that welfare recipients will regard them as more desirable than private sector jobs. This too helps limit the cost of such a program, since there are

strong incentives to get alternative employment.

Third, it is easy to make adjustments for individual circumstances. If it is deemed inappropriate for mothers with young children to work more than half-time, it is easy to set a maximum of 15 or 20 hours per week as the work obligation. If the parent has a sick child or some other crisis, one can simply excuse the person from their work obligation during that period. There is no danger of any interruption of benefits. Indeed, since any sort of mandatory work program will have to have elaborate due process protections, sanctions in the form of significant reductions in benefits will probably be rare and exercised only in the most extreme cases of non-compliance. Legitimate reasons for non-work are unlikely to be penalized.

Fourth, it is easy to protect clients from performance problems on the part of the administering agencies. If insufficient community work jobs have been created, recipients will have to be excused from work. If day care is unavailable, persons will have to be excused from work. The client need not fear loss of income in such cases.

Fifth, it is relatively easy to phase in such a plan. One can start by requiring work for welfare from a relatively few persons. As capacity expands and administrative knowledge grows, one can lower the threshold gradually and require work of more and more people.

Finally, while administering such a program on a large scale will be a massive undertaking, we have considerable experience with smaller scale community work experience programs (CWEP). Thus, there would be a reasonable basis for initial program design.

However, there are several real disadvantages with this sort of plan. First, precisely because work hours are tied to benefits, a variety of troubling questions arise. In some states such as Mississippi, required hours might be very low, 8 or 10 hours per week. For people with outside sources of income such as child support, some outside earnings, or benefits from other programs, work hours may also be relatively short even in high benefit states. People with one child will be working fewer hours than those with two. A rise in the welfare benefit level of the state would immediately translate into the need to expand work hours for all obligees. High benefit states will require more work than low benefit ones. Worse yet, since outside income often fluctuates considerably month to month, mandatory work hours will fluctuate.

Designing jobs that are so flexible that they can accommodate some people with a large number of mandatory work hours and others with very limited hours will severely influence the type of job and its administration. The jobs are unlikely to be ones of real content or import, for the employer or administering agency will not be able to predict how much work any particular employee will deliver. And the cost of creating and administering jobs with often small obligations could be very high relative to the benefits.

Second, workfare normally imposes a fixed work obligation. If the welfare recipient is highly motivated and wants to work more hours, that is not allowed. That is an unfortunate and awkward signal regarding work.

Third, precisely because the work is linked to welfare receipt and any sanctions will be subject to elaborate due-process protections, there is likely to be little of the rigor of a real work place. In the New York State workfare program for employable general

assistance recipients, court orders now require that the state demonstrate that the recipient intentionally sought to avoid work without good cause before any sanction can be applied. The closer the program is tied to welfare, with work a part of the obligation for receiving welfare, the less likely ordinary obligations associated with regular employment will be applied. And there will be a significant portion of the caseload that learns to game the system to avoid the obligation.

Fourth, because something less than a regular job is being offered, and because the person will still receive a welfare check rather than a paycheck, recipients will not get nearly the satisfaction or feeling of accomplishment nor the useful work experience that a "real" job would offer. Welfare recipients in current CWEP programs report that they think it is fair that they work, but that they feel like the employers are getting a much better deal since they "work for free". And outside employers will not regard welfare employment as real employment. Rightly so. The inevitably loose nature of the jobs, which must accommodate the differences in obligations across recipients and over time, coupled with the variety of exemptions and protections will render the jobs very different from traditional private sector employment.

Fifth, major questions arise as to how the program interacts with other programs. Assume that the work-for-welfare program is for AFDC recipients. Do AFDC recipients who have food stamps have to work off that benefit also? If so, there are serious horizontal equity questions if other food stamp recipients are not required to do so. If not, states with low benefits are rewarded with a much smaller work program to administer, and recipients in low benefit states are partially advantaged since they get

more from food stamps (since food stamps are reduced as welfare benefits rise) and less in AFDC payments and thus must work off a smaller portion of their total government benefits. Similar questions arise with housing subsidies.

Sixth, CWEP has been repeatedly demonstrated and evaluated. The demonstrations uniformly show that there are little or no private gains to recipients from CWEP. That is, earning capacity is not increased by working in a CWEP job, nor is there much impact on the likelihood of finding or retaining a private sector job. Nor is there any evidence of a welfare deterrent effect from current CWEP programs. In short, it is an obligation which carries no discernable long term benefit to either the recipient or the government.

Finally, and very importantly, the public perception of welfare may be little affected. Since CWEP jobs may not really look or feel like real jobs, there is a high likelihood that the public will regard the program as something of a sham. Recipients are still on welfare, though some are working somewhat. Exemptions are likely to be legion. Stories will abound about people not really working, "leaning in shovels" and just putting in their time. This may be perceived as another form of welfare fraud. If workfare jobs are seen as different from "real" jobs, the workfare program will do little to reduce the sense of us versus them which is so damaging to the welfare system and its clients. Work-welfare recipients may not get the respect they deserve. They may not be counted among the working poor.

In sum, the advantages and disadvantages of a work off welfare program revolve largely around the fact that workfare jobs almost certainly will be very different from

traditional private sector jobs. Hours, obligations, protections, expectations will all be very different. These plans may be less expensive to mount, but they have severe limitations. They mainly appear to be a way to impose some additional obligations on welfare recipients. *What is being offered is not an alternative to welfare, but a additional rule for receiving it.*

Work-instead-of-welfare also carries significant pluses and minuses. The most obvious advantage is that one can set up a system of real jobs with regular hours and ordinary work rules. Welfare has ended for some recipients, and they are offered a last resort job. Because this is not a program of obligations in exchange for an entitlement, far less due process will be involved in the work part of the program. These can be something akin to private jobs.

Last-resort jobs may not have rules as rigid as traditional private sector jobs perhaps, but since the person is paid a paycheck, can be docked pay, and should have a fixed set of work hours, this will look and feel like work for pay. More motivated workers can work longer hours so long as work is available. Low income people in low benefit states would have the same opportunity to work part or full-time and earn money to support their family as those in high benefit states.

A related advantage is that there will be no elaborate calculation about hours worked. Persons who have exhausted their welfare benefits must find a job or come to government subsidized private or public job. Work hours are set by the employer, not based on other sources of income or the welfare benefit level of the state.

Similarly the question of interaction with other programs is straightforward.

Earnings from the last resort jobs are treated the same as earnings from any job when calculating edibility and benefits for other programs.

And for the public, a program that actually which actually ends welfare benefits and offers a job in its stead really will feel and look like a fundamental change in the welfare system. This really would appear to be an "end to welfare as we know it."

But these plans carry major limitations. The biggest one is cost and scale. If one really is going to offer a set of genuine last resort jobs, the program might be very large indeed, especially if there were few additional non-welfare supports. And if there were rather few limits on work hours, the cost could be considerably greater than the current welfare system or a CWEP plan. The extreme case is a last resort jobs program for all comers, regardless of welfare, family, or income status. Mickey Kaus recommends such a plan, and suggests the cost would be \$40 or 50 billion dollars or more. Mounting and funding a really large scale jobs program seems almost impossible. There seems little support for such a massive program.

I recommend a very different plan whereby people only qualify for the jobs after they have exhausted their time-limited welfare. Moreover, if there are sufficient non-welfare support, relatively few people might need last resort jobs. Properly administered, relatively few public sector jobs would be needed. But without non-welfare support or without tight rules for participation, the public sector jobs would be unworkable.

One way to limit costs is to limit the number of available jobs. The obvious problem then is that people who cannot find private jobs are left without a means of support. This problem is most serious when there are few non-welfare supports available

to a family.

A related problem involves displacement--drawing people who otherwise would have been working in private jobs into the public work force. The magnitude of displacement depends on the desirability of the last-resort jobs relative to private jobs. If the last resort jobs pay the minimum wage, then private jobs would seem at least as attractive. Still since the last resort jobs would be available to all welfare exhaustees, they might appear less rigorous and easier to retain than private jobs. On the other hand, since the possibility for advancement would presumably be greater in private jobs, there would be a good reason to prefer them.

Another problem involves displacement of public sector jobs and the potential opposition by labor unions and government workers. The more real and reasonable the jobs are, the more they will be seen as competing with traditional employment for workers who earn considerably above the minimum wage. This could lead to pressure to raise the effective wage and expand eligibility which would drive up costs and raise fears of private job displacement.

Finally and perhaps most importantly, nothing like a truly time-limited welfare system has ever been tried in this country. Other countries have systems somewhat like this, but we have no experience with it. Administrative and equity questions loom large.

This discussion highlights that there are severe limitations to any time-limited welfare/jobs system. The design issues are gargantuan. While the theory of work-instead-of-welfare has great appeal, in practice it has never really been tried, and many issues remain, especially if it were mounted on a large scale. Work-in-exchange-for-

welfare is easier to implement, but its appeal and impact are much more dubious.

Indeed, the most important lesson from this discussion may be that before we concentrate too heavily on how to time limit welfare, we should work very hard to find out what best moves people from welfare to work before the time-limit ends. The preferred time-limited welfare system would be one where nobody came. That requires far greater attention to non-welfare supports. If we do not find more and better ways to move people from welfare to work, time-limited welfare will pose very serious dilemmas.

Loose versus Tight Rules About Who is Time-Limited

The third and equally crucial element in a time-limited welfare scheme involves the question of who is expected to work. A program that requires work from 10% of the caseload which has been on welfare for more than two years is very different from one which requires work from 80%. One obvious difference is cost. But much more fundamental questions are raised as one obligates work for a larger and larger portion of the caseload.

My estimate is that with a steady state of 5 million AFDC cases, at least 3 million have been on welfare for 2 years or more to date.¹ If the economy improves or if make

¹ A number of people have looked at my figures for the distribution of total time on welfare for those on welfare at a point in time to infer that over 85% of the cases on welfare would be affected by time limited welfare. There are two problems with that approach. The first is that the data I report are for the number of calendar years in which the person will receive welfare for at least two months. That is quite different from the total time on welfare since some people on in two years, may only have a few months welfare in each year. A reasonable approximation might be that persons who receive welfare in three different calendar years might be assumed to received welfare for at least 24 different months. Secondly, and more importantly, the proper measure for cost purposes is the fraction of people who have *already* receive welfare for more than 2 years, not the fraction who will eventually do so. Thus what one wants is the uncompleted total time on

work pay proposals and non-welfare supports are adopted, these figures are likely to fall. On the other hand the continued increase in single parent families will cause caseloads to rise. If the caseload remained at 5 million, the number of jobs required thus would be 300,000 if just 10% of the two year plus caseload was mandatory, 2.4 million if 80% was mandatory. Paul Offner estimates that CWEP and day care costs would be \$3,500 per case leading to a cost estimate of \$1 to \$8 billion. While it is hard to imagine a program which required work from 80%, half that could certainly be affected. And it would not be difficult to create a set of exemptions that lead to just 10% of the caseload being required to work.

It is much harder to estimate costs for a work-instead-of-welfare program. Fewer people would probably actually enroll in the private jobs, but when they did the costs would be higher in low benefit states since one is allowing participants to work more hours than would be required to work off welfare benefits in that state.

The more difficult issues involve who should and should not be expected to work. What sort of exclusion should there be for women with young children? What about people already working part time? What about people who live more than 1 hour from the job site? What sorts of rules will apply in the case of illness or disability? How are short-term disabilities handled? And toughest of all, what about people in families that have trouble functioning and coping with day to day existence in their often exceptionally complex and crisis laden worlds? Are they to have additional burdens placed on them?

welfare for those on welfare at a point in time. I did not report that table, though it is easily derived from the tables I did publish. That data show that roughly 60% of recipients on welfare at a point in time have collected welfare in three different calendar years.

It is not hard to determine the impact of relatively objective exemptions like the age of youngest child. But no one has a clear idea of how many people are in a poor position to work because of their physical, social, or mental status. Making rules too flexible will lead to easy possibilities for gaming the system. Making them too strict could significantly increase homelessness and stress for people living right at the margin. Indeed both outcomes are likely in any serious system.

For me, the greatest fear is that desperately needy people will be cut off welfare and hurt. If some people really were terminated from welfare and told where to report for work if they desire to earn money, there is much greater chance that some people will fall through the cracks. Some people who are terminated may not be able to work, may suffer some temporary crisis, or face some other complication in their life. The moral legitimacy of such a plan is open to serious question unless very careful protections are built into the process of determining who is expected to leave welfare and go to work.

One could imagine designing non-income and emergency support systems for people who have been put in last resort jobs and for those who left welfare for work. The dangers are reduced and the moral legitimacy increased if there are many non-welfare sources of income support. Still, one would have to be much more careful to build in due process and other protections in the decisions about who is actually taken off welfare, especially in a welfare-instead-of-work plan.

Observers differ in their assessment on the fraction of the caseload which is employable. There are no good studies that we are aware of that are very helpful in

determining how realistic work is for various parts of the caseload. The morality and efficacy of a time-limited welfare program hinges critically on who is determined to be employable and how it is done.

Moreover, workers who are given discretion will inevitably exempt large numbers of recipients. The tragic reality of poverty in America today is one of crisis, stress, and despair. It will seem unfair to insist on work in a family that has undergone real tragedy, where children are at risk, and where mothers plead that they need to be home to protect their children. This is not do-goodism. This is confronting the complexity of life on the wrong side of the tracks.

Yet if the goal is to ultimately find a genuine alternative to cash welfare, then one must make some attempt to push beyond the easy cases and impose serious demands on some important segment of the welfare poor. Work is important to dignity and independence in our society. And the welfare program ultimately will not command even the modest political support it now has if few recipients work.

Here again, I believe the choices regarding other supports and the type of work program influence the economic, political, and moral logic of experimenting with tough work rules. If sufficient supports are in place so that anyone can be better off working part time than being on welfare, then there is strong logic to moving some distance beyond the easy cases when considering rule for work. If people who go to work really can effectively provide for and nurture their family, then a strong moral case exists for time limiting welfare for many people. But if the level of work and pay necessary to be better off than welfare and to stay out of poverty are excessive, then it seems unlikely

that one can justify tough workfare.

Where Does It All Lead? A Proposal for the Next Steps

President elect Clinton has called for bold changes in the welfare system. Yet his rhetoric is consistent with two very different types of approaches. The easiest and probably least expensive course in the short run is to have modest non-welfare supports, a CWEP type workfare program, and fairly loose eligibility rules. But a true transformation of welfare will almost certainly require significantly more non-welfare supports, a time-limited program followed by last resort jobs for some, and relatively strict eligibility rules.

Some are calling for a vast expansion of the CWEP program creating upwards of 1.5 million jobs. Given what we know about CWEP, I think this would be a real mistake. It would do little to help welfare recipients or reduce caseloads. And there will be strong pressures to keep the participation rate low to start with. Creating even half a million jobs will be no small problem. I find it almost inconceivable that a CWEP type national program initiated by a Democratic President and Congress would ever reach more than 20-30% of the post two year caseload--that translates into 12-18% of the total caseload. The rhetoric of an "end to welfare as we know it" suggests strongly that the program will touch more than a handful of welfare clients. It seems unlikely that a program where only a modest fraction the caseload is expected to work will be perceived as a transformation.

In my view, a far stronger alternative would be to phase in Clinton's plan using much bolder welfare alternative plans in a modest number of states, and gradually add

more states over time. Participating states would get more federal support in exchange for radical reforms in their welfare system. In the first period, up to a dozen states would be allowed to create major welfare alternatives. Later more states would be expected to join and over an extended period, all states would be required to participate. States who choose to start early would get a much higher Federal match. They would have considerably more flexibility over funding and support strategies than they do now, but all plans would be required to have several key elements:

1. All participating states would be required to design a set of policies to reduce the fraction of recipients who reach receive welfare for greater than 2 or 3 years by at least 25% (or some other figure) without cutting welfare benefits. In other words, they are forced to come up with credible policies to move people from welfare to work in far larger numbers than have been done in the past. States will be given considerable latitude in redirecting existing funds for AFDC, food stamps, housing assistance and other aid, so long as the plan clearly will encourage work and independence without reducing the incomes of the bulk of recipients. Such policies could include alternative training programs, child care, integrated services, child support enforcement and assurance, altered work incentives, subsidized private employment, etc.
2. All participating states would be required to design some system for tracking welfare recipients participation in various employment and training activities and for setting up a system of determining who is employable after several years of welfare receipt. Some states would be allowed to adopt very strict definitions of employability while others would be given more latitude.
3. All participating states would be required to adopt some form of time-limited cash assistance for the employables. Some states would be allowed to adopt a CWEP type work for welfare plan, while others would be expected to implement true time limited welfare followed by public/private jobs program.
4. All states would be required to dramatically improve their child support enforcement system. Some would be allowed and encouraged to adopt a system of child support enforcement and assurance. But all would have to move rapidly to adopt a series of major reforms.
5. A comprehensive evaluation plan will have to accompany the state proposal.

6. Federal matches for these programs would be high--in the range of 90% or even more.

The reality is that we simply do not have all the answers about how to transform the welfare system. Serious time-limited welfare followed by last resort jobs has never been tried. Even workfare has never really been seriously implemented for this group. The strategy of phasing in the new plans while learning about them will likely avoid many costly mistakes and offers a far greater chance of moving the system in an appropriate direction.

One major advantage of this strategy is that the new administration can pick and choose its experimental states. The best states always do an excellent job of implementing new plans. Moreover, by asking states to voluntarily design new programs and compete for scarce federal dollars and flexibility, a great deal of excellent thinking will go into the design of the transformed welfare systems. By contrast, if all states are forced to implement a mandatory national CWEP program, most will approach the task with far less enthusiasm and in many will consciously resist attempts to force adoption of the program.

Another major advantage to this strategy is that state plans can and will be much bolder than could some form of national plan. There are a number of states that would leap at the opportunity to make very dramatic changes in welfare if the financing and political support was available from Washington. The politics of the Congress and the uncertainty about the impact and appropriateness of various changes will force a national program to be pale and cautious. But some states will be willing to be quite bold. From them, we can learn about a true transformation of the welfare system.

Yet another advantage is cost. If one starts in perhaps a dozen states, the same money will go much further. Then with the lessons of the initial states, more cost effective plans can be adopted in other states.

There is some danger that a state by state phase in will appear to be backing off on the Clinton promises of the campaign. That would be an unfair perception. If the states involved really try dramatic changes, Clinton can rightfully point to the experimental states as the kind of transformation he envisions for the whole country. Given the budget deficit and the difficulty of adopting such a bold new program, a state by state phase in strategy is a natural way to move to full scale implementation. States can try even bolder strategies than was talked about in the campaign. And any Governor knows the limitations of having Washington dictate the details of a new welfare system and the importance of learning what work and does not work before we spend a fortune on welfare reforms. Clinton would not be backing off of major welfare changes. Quite the contrary, this is the only viable strategy for achieving them.

I think there is vastly more political danger from trying to go with a full-scale CWEP/workfare type program. The odds of success in 3-4 years is very low. It will be controversial in the Congress, the administration, and the press. In the end a watered down plan is likely to be adopted. No one will believe that welfare has been transformed if a tiny fraction of people are actually forced to work. Or a great deal of money may be spent with no noticeable effect on anything other than government payrolls. Governors and state officials will strongly prefer a state by state phase in. They want more, not less flexibility.

Still the most important reason to go with a state by state phase in is that it is economically and morally right direction to go. Serious reform which involves millions of the most vulnerable Americans should, indeed must, proceed slowly at first. The danger of missteps here are legion. There are literally hundreds of key questions which must be answered. We will never transform welfare by legislating national changes of policies that have never been fully tried at the state level. Thus we will not be bold if we try to move nationally too fast. More importantly we will hurt people and waste federal dollars.

Let me close by emphasizing one point. The best time-limited welfare system is one where no one reaches the limit. The place where I hope the new administration concentrates most of its energy is on finding ways to help all employable recipients move off welfare within a few years. Rather than putting most of our money or attention on the work component, let us begin by exploring much bolder ways to move people off of welfare.