# THE POLITICAL ECONOMY OF WORK-FOR-WELFARE

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## Introduction

A public commitment to the work ethic and work requirements in public assistance programs is nothing new. Beginning with the parish workhouses of Elizabethan England, the history of welfare reform reveals the inextricably intertwined themes of rendering humane public assistance to the needy, concern that assistance without work requirements fosters dependency, and attempts to define the limits of public obligation and to control the public purse. The vocabulary progresses through time—the tramps and vagrants of one period are the homeless of another, the deserving poor metamorphose into the truly needy, and solutions like apprenticeship yield to ones called job training. The vocabulary changes, but the inherent political and economic dilemmas of welfare stay much the same.

Those dilemmas are rooted in the political and economic traditions of the Anglo-American brand of capitalist democracy. Alexis de Tocqueville (1983, p. 108) brilliantly illustrated the nature of the problem in describing the England of the 1830s:

> In a country where the majority is ill-clothed, ill-housed, ill-fed, who thinks of giving clean clothes, healthy food, comfortable quarters to the poor? The majority of the English, having all these things, regard their absence as a terrible misfortune; society believes itself bound to come to the aid of those who lack them. . . . In England, the average standard of living a man can hope for in the course of his life is higher than in any other country of the world. This greatly facilitates the extension of pauperism in that kingdom.

Since charity is a noble human impulse, de Tocqueville concedes that no idea seems "more beautiful and grander" than that of public

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charity. But he insists that reality inevitably must destroy such "illusions," because the very fact that public charity legally bestows permanent rights to assistance is bound to "breed more miseries than it can cure" (p. 119). And the "miseries" that he observed in England, when translated into contemporary terms, included dependency, welfare cheats, family dissolution, lack of motivation, irresponsibility, and most of our other "modern" concerns. He also predicted that special circumstances, such as those in the United States, might keep such ill effects from developing rapidly, but noted that in time they would inevitably develop and "devour the well-being of generations to come." Whatever the cause-and-effect relationships, we certainly cannot claim to have avoided the problems he foresaw.

Tying work requirements to public assistance for the able-bodied has always seemed the obvious solution to the work disincentives and demoralizing effects associated with welfare support, since work is the supposed means to independence and the basis of man's dignity. But once the principle of an entitlement to public assistance is established, work in such a scheme loses its primary purpose as the means of production and becomes instead a condition of entitlement. Instead of being useful, it can become cumbersome. There may be labor shortages in some areas and surpluses in other areas, but the indigent are not always conveniently located near or suited for available jobs. Charitable intentions are insufficient to change economic conditions or endow bureaucrats with decision-making and job-creating capacities superior to the market's, and this fact underlies the make-work and faked-work quality of many work-for-welfare strategies. It has not been the lack of a work requirement that has flawed public charity, but the element of entitlement itself; and thus a work requirement could not change the essential contradiction.

Nonetheless, the history of private charity and public welfare in America shows that the idea of entitlement was never seriously contested (albeit the public responsibility was a local one). And a strong current of belief in the necessity to require work from the able-bodied to avoid corrupting them and burdening society runs through that history. Hence the American preoccupation with separating the helpless from the shiftless, those who deserve society's assistance from those capable of self-support. This preoccupation provides the rationale underlying our complex system of categorical rather than universal assistance. It has also led, because of changing social norms and economic and demographic conditions, to some of our specifically modern welfare conundrums.

## The Contemporary Framework

The federal government's involvement in providing welfare income effectively began during the Depression, when the primary objective was to provide a means of subsistence to a large segment of the population that had none at all. Welfare was a substitute for, not an alternative to, the labor market, because for many there was no labor market. The Aid to Dependent Children program, moreover, was initially to benefit widows, who were not expected to be in the labor market and whose lack of a means of support for their children was beyond their control (Burke 1985a, p. 4). In the present, of course, welfare in its many forms operates as a supplement to low earnings or as an alternative to work. And the renamed Aid to Families with Dependent Children (AFDC) program has changed in character. The vast majority of the 3.5 million poor women who head households—households in which more than half of the nation's poor children live—are not widows but divorced, separated, or never-married women, and most of them are on welfare.

Before the 1960s it was generally presumed that women with children were properly unemployable. But the element of personal responsibility for single parenthood as well as the fact that the majority of nonwelfare mothers with young children are in the labor force has resulted in a public reevaluation of the role of AFDC. This is all the more so because about half the women who are employed outside the home perceive that working is a matter of economic necessity for them, and not a matter of choice.[1] Questions of equity obviously will arise when some women with children feel compelled to work, yet the taxes they pay help to enable other women to stay home with their children.

The rising interest in work-for-welfare coincides with the devolution of responsibility for program design to the states since 1981. Federal involvement in welfare since 1935 never stressed work requirements; indeed, work for benefits had been prohibited in the AFDC program until 1962. True, the Works Progress Administration had provided jobs during the Depression, primarily for men, but war and postwar prosperity ended the need for such programs. Many states, however, had continued work requirements for some recipients of state-funded general assistance even after enactment of federal welfare programs. In 1977, 19 states had workfare requirements in their general assistance programs (Shipp 1982, p. 3).

[1]See Decision/Making/Information, executive summary of *Nationwide Survey on Women's Issues*, 1983.

One final observation on welfare today should be kept in mind. In spite of the increasing number of antipoverty programs and rising welfare benefits over the past two decades, the aggregate number of AFDC welfare recipients in the United States has remained relatively stable at about 3.5 million cases (between 10 and 11 million recipients) since 1972. There is, of course, considerable turnover in the caseload. Long-term dependency is a real social and personal problem, but it is obviously not the fate of the majority of women who end up on welfare. Using the welfare system as a short-term crutch is also a type of dependency if other options are available. But whatever the corrupting influence of welfare, it seems to have reached a certain plateau. This does not, however, diminish the imperative to assess its good and bad effects on those who depend on it, including the role of work in their lives, and its costs and benefits to society.

## The Economics of Welfare

There are two related but distinct problems in attempting to bring welfare under control. One is to improve the earnings of recipients so that welfare is no longer necessary or even attractive. The other is to decrease caseloads and expenditures. It is a mistake to assume that a strategy attacking the first problem will necessarily solve the second in the short term, or vice versa.

The view that welfare is an alternative to work is insufficient to understand the dynamics of welfare dependency in the aggregate. Clearly, the willingness of a person to work is affected by the relationship between his earnings potential and the level of welfare benefits. But the relationship is not a simple equation. If leisure has some positive value in and of itself, potential earnings would have to be higher than welfare to induce someone to work. If work has a high intrinsic value, then clearly some low-income people will prefer working to being on welfare even if they are worse off financially. And in practice, of course, most people do not have a "free" choice between welfare and earned income, because there are constraints on access to each and relative costs imposed by welfare and tax laws.

Thus, rational economic choices are made in the context of a value system and a legal-administrative system. It is not insignificant, considering the composition of the dependent population today, that AFDC was almost the only welfare program that imposed no work requirement for decades, and when it did, applied and enforced these requirements very incompletely and half-heartedly. This feature of AFDC could not help but affect family structure in the population it served. The potentially damaging effects of welfare on low-income

families were recognized and discussed in the 1960s, as even a cursory survey of the literature will demonstrate. Elizabeth Durbin (1969, p. 16), for example, noted:

> [T]here is clearly some economic advantage for the group affected by the existence of welfare to maintain fairly loose ties between men and the women with children. The mothers can obtain a steady, if low, income from welfare, and the men have more flexibility to come and go, to work or not. . . . [I]t is not unreasonable to expect more informal relationships where unwed motherhood is one qualification for the receipt of welfare income.

Economic theory also explains why welfare caseloads may rise even as economic conditions improve. If welfare benefits keep up with expected remuneration from low-skilled jobs—and not only the AFDC benefit but also medical care, housing assistance, and other services must be considered—then life on welfare might be preferable to job-hunting, even in an improving economy, especially for women. Likewise, increases in the minimum wage might seem to enhance the earnings potential of low-wage workers, but by reducing the number of jobs below the minimum, such minimum-wage increases can also reduce employment among the lowest skilled and thus expand the pool of those for whom welfare becomes an option.

Further, if the labor market offers unskilled men insufficient earnings to compete with a mother's welfare benefits—and this can be the case even in low-benefit states—then the mother becomes the family's primary earner. This situation complicates the problem of reducing dependency on welfare. First, her opportunities in the labor market are usually those of a secondary wage-earner. And since the welfare department has assumed the role of dependable primary provider, men are encouraged to adopt a secondary role as well, which further loosens their ties to the labor market. The increasing prevalence of secondary-earner labor market characteristics among low-income men must unavoidably contribute to what some have called a lack of "marriageable" men in low-income communities.

The significance of these basic economic relationships to the twin problems of reducing caseloads and expenses and fostering individual self-sufficiency are greater than they might at first appear. The first result of any work requirement in a welfare program is that there will be a strong incentive for recipients to appear unemployable. If welfare were a rational choice for someone to begin with, then clearly work would not appear attractive without significant enhancement of labor market opportunities for the recipient. This increases the burden on welfare administrators, who must determine who is and is not employable, ensure compliance, assist in job searches, and

provide job training. All these conditions raise the short-term costs of welfare, unless caseloads go down. But caseloads depend on the number of new entries as well as exits, and new applications may increase for several reasons. Ironically, an excellent record of job placement with liberal transition benefits may even induce more women in the eligible pool to seek welfare as a means of obtaining job training and placement services.

The underlying problem does not disappear, because the welfare system must deal with the results of family nonformation or dissolution even as it facilitates those results. At the same time, work requirements within the welfare system will not improve work incentives or opportunities for absent fathers, while attempting to transform mothers into primary earners.

## The Recent History of Workfare and Work Requirements

The term workfare was first used by President Nixon in 1969, but he did not use it in its current sense of working for welfare benefits (Shipp 1982, p. 1). His use of the word was more in keeping with the Kennedy-Johnson goal of providing the poor with training, work incentives, and opportunity. Nixon's welfare reform proposal, the Family Assistance Plan, was a negative income tax that would have extended welfare to the working poor and two-parent families nationally. Congressional fears of the increased costs associated with an expanded recipient population and work disincentives caused the proposal to die.

The first AFDC work program, however, preceded this proposal by seven years. The 1962 Community Work and Training Program (CWTP) allowed states to require AFDC recipients to work off their benefits, but only 13 states chose to exercise this option, and authorization for the program expired in 1967. In 1967 the Work Incentive program (WIN) was established to provide welfare recipients with a financial incentive to work by "disregarding" a portion of earnings so as not to lose as much in benefits as they otherwise would have. The initial focus of the program was job training, but in 1971 the focus shifted to job searching and immediate employment. In the early 1970s California and Utah implemented workfare programs in the present sense of the word—programs in which some recipients were required to work so as to receive benefits. In the late 1970s several other states followed suit.

Despite a history of nearly two decades of work requirements and incentives in AFDC programs, AFDC cash expenditures increased

elevenfold (fivefold in constant dollars), and the costs of related public assistance programs also grew rapidly (Rein 1982, p. 6). The number of AFDC recipients has more than tripled since 1960, from 3 million to over 10 million; in the early 1970s the numbers increased by a million a year. But even though the trend leveled after 1972, spending did not. It is frequently pointed out that total state-federal spending on AFDC amounts to "only" $16 billion, a mere drop in the ocean of total public expenditures. What is frequently forgotten is that total federal, state, and local expenditures on means-tested programs now amount to $134 billion annually, or nearly 4 percent of GNP (Burke 1985b, pp. 1–2). And being on AFDC automatically qualifies recipients for most other major means-tested programs, while certain other programs—services and job-training, for example—were supposed to solve the problem of poverty by eliminating the need for "the dole." In other words, they were also supposed to be targeted at the welfare-eligible population.

Why did the work strategies of the 1960s and 1970s not work? One can, of course, point to changing mores—skyrocketing divorce and illegitimacy rates, the counterculture values of the 1960s, and the decreased dependence of women on men. But these better explain expanding caseloads and burgeoning costs than they do the specific failures of work strategies. Mildred Rein (1982) has analyzed the dynamics of the failure of three different approaches—work through social services, through incentives, and through requirements. Her analysis makes it evident that blame can be laid primarily at the feet of lawmakers who wrote vague and conflicting goals into the laws, and of the welfare establishment for its self-interest and disdain for *work strategies*.

Social services were mandated by amendments to the Social Security Act in 1962 and 1967. The ostensible purpose of providing social services was to move AFDC recipients toward self-support and to strengthen the family, Rein notes. But the 1962 law failed to define or specify "services." This task was left to welfare professionals, and service categories came to include everything from child care and health care to such vague nostrums as "improved family functioning" and "maintaining social relationships." This was theoretically corrected by the 1967 amendments, but many of the services specified—homemaker services, legal services, consumer education, and such—had little bearing on improving employability. Worse, the amendments called for providing services not only to welfare clients but also to former and potential clients. The law obviously left much to the discretion of social workers, with little potential for monitoring

or evaluation. And, in fact, most services were not work-related nor did they go to working or work-oriented AFDC mothers.

The laws proved a bonanza for the social service industry, resulting in what Rein termed the "services explosion." From 1967 to 1972 federal grants to states for social services rose from $282 million to $1.8 billion. Much of the increase was the result of contracting-out to private service providers. When in 1973 the federal government attempted to cap social service payments to states at $2.5 billion, and to target 90 percent of benefits to AFDC recipients, the welfare industry rose up in arms, and strong lobbying in Congress ended in defeat of the initiative. By 1980 only 18 percent of social service recipients were AFDC clients, and 46 percent were those eligible without regard to income. Could social services as a strategy to promote work ever succeed? According to Rein (1982, p. 44), the question "cannot be answered," because the strategy "never became a reality."

The WIN program begun in 1967 was based on the theory of economic rationalism. By and large, the effective tax rate on welfare recipients who wanted to go to work had been 100 percent—for every dollar earned an equivalent dollar was deducted from the grant. Thus the WIN program mandated that states disregard a portion of recipients' earnings to encourage them to go to work. This was the well-known 30-and-a-third rule—the first $30 plus one-third of the remainder of earned income was exempted in determining the welfare grant. But this scheme did not appreciably encourage work, primarily because welfare mothers appear to have behaved even more rationally than the economists expected. Some increases in work effort were noted, but mostly in low-benefit states.

Nationally, the proportion of employed AFDC heads, fluctuating in the 13–15 percent range through the 1970s, remained what it had been without incentives. Apparently, the incentives were not attractive enough to induce non-working recipients to seek employment. For those who did work, the incentives provided an opportunity to maximize welfare benefits and part-time earnings to a level that would have been hard to achieve had they left the rolls altogether; in addition, they would have had to give up additional leisure, which they probably preferred to spend with their children. Thus, WIN improved the income levels of many AFDC mothers, but failed as a route to self-sufficiency. To improve work effort, incentives would have to be dramatically increased, which would raise costs prohibitively and raise questions of equity vis-à-vis the independent working poor.

The third work strategy of the 1960s and 1970s was statutory work requirements. Work had been mandatory for fathers in the Unemployed Parent component of AFDC (AFDC-UP) since its inception in 1961. But the UP rolls were relatively small, and from the mid-1960s Congress was also concerned about work for AFDC mothers. In addition to the incentive component discussed above, the WIN program was also the first federal effort to require all employable welfare recipients to work or seek work. The funding for the program, however, was insufficient to train and employ even a small fraction of the adults on AFDC. Consequently, Congress specified guidelines that virtually exempted various classes of recipients from participation, and the states added still more qualifications. Since the states were not always able to provide the child care stipulated by law, and since social workers were allowed to assess the effects on a particular family's "well-being" before referring clients to WIN, the program became largely a voluntary one, a matter to be decided between client and caseworker. Moreover, according to several studies cited by Rein (1982, p. 69), the attitude of caseworkers toward work for AFDC mothers was basically negative. The requirement to seek work actively or enroll in training was not implemented as a matter of sound public policy to discourage dependency, but as yet another service to welfare recipients. A work requirement that does not actually require people to work is not likely to succeed either in decreasing caseloads or fostering self-sufficiency.

The two states which implemented workfare programs in the early 1970s—California and Utah—thus flew in the face of the prevailing sentiment of the welfare establishment. The California Community Work Experience Program (CWEP), enacted in 1971, stressed that the employment of welfare recipients was a major goal of welfare. This program has essentially provided the model for subsequent workfare proposals. Private-sector employment for job-ready recipients was stressed, with training to be provided for those less employable. Only if neither of these activities produced results was the recipient required to work off the welfare grant by working in a public service agency, including private nonprofit organizations. The maximum number of workfare hours per month was 80, and the recipient was expected to look for a private-sector job in his spare time.

The program is frequently cited as a failure, but the reasons for the failure are illuminating. The federal Department of Health and Human Services (HHS) opposed workfare and approved the California plan only reluctantly and after some delay. Moreover, it was opposed by liberals in the California legislature from the beginning. This initial resistance and a pending court case made many counties unwilling

to implement the plan until well into its second year, and more than a third of California's counties never implemented it at all. According to Charles D. Hobbs, then chief deputy director of social welfare in California, an "attitude of polite disdain and inaction" in the legislature "filtered down through the ranks of employment and welfare workers" (see Germanis 1982, p. 8). The program failed because it was not implemented as conceived.

The Utah Work Experience and Training program (WEAT), established in 1974, was also initially resisted by HHS. The program requires employable recipients to work three days a week, with a 12-week limit on participation so that recipients do not develop a permanent dependence on workfare. State and local government administrators in Utah were strong supporters of workfare from the start, but even they only claimed that WEAT had a "general housecleaning effect" (Germanis 1982, p. 6)

As a method of eliminating some fraud and abuse, workfare obviously has some merit and is justifiable from the public point of view. But for those who really need welfare, the impact is unclear. There is always considerable turnover on the welfare rolls, because most recipients are short-term ones, so it is difficult to ascertain just how much workfare contributes to turnover. In Utah, for example, the average monthly caseload in FY 1984 was about 13,000, almost exactly the same as in FY 1978 (and about 1,000 higher than in FY 1975–77), and total payments to welfare clients rose from $41 million to $51 million. So even though there may still be valid reasons for implementing workfare, the evidence that it reduced costs to the state or reduced the dependency of the welfare-eligible population in Utah is shaky at best.

## Workfare Today

The Omnibus Budget Reconciliation Act of 1981 (OBRA) effected some major changes in the AFDC program that laid the foundations for subsequent work-related reforms in various states. In addition to tightening up eligibility for welfare, which resulted in some caseload reduction, OBRA reduced the work incentives and made them short-term instead of ongoing. Just as the incentives were found not to have increased work effort among AFDC mothers in the aggregate, so their elimination did not appear to reduce effort, as several studies have noted.[2] The 1981 budget act also permitted states to establish workfare programs, called Community Work Experience Programs

[2]These are summarized in Institute for Research on Poverty, *Focus* 8 (Spring 1985): 1–5.

(CWEP), to make participating welfare recipients more employable. The workfare employment was to serve a "useful public purpose" but did not require public-sector employment. In addition, states were permitted to set up WIN demonstration projects for three years ("WIN demos") in lieu of the existing WIN program. The CWEP programs and the WIN demos comprise the bulk of ongoing workfare and work-related welfare reform experiments in the country today. Currently, 37 states are experimenting with such programs, though fewer than 10 on a statewide basis.

Although it is too early to predict either success or failure for any of these programs or whether the results will differ appreciably from what occurred in the 1960s and 1970s, available reports and evaluations allow us to make some tentative comparisons and observations:

1. The political climate appears to have shifted strongly in favor of work strategies in welfare, and there is increasing acceptance in the welfare establishment of the value of work in promoting independence. This shift in social attitudes is also reflected in public opinion polls, which show that about 90 percent of the American public supports work and job training components in welfare.[3]

2. The distinction between "punitive" workfare and other work-related programs and between voluntary and mandatory work is more illusory than real. Although much of the national political debate is still couched in those terms, in practice, economic and social constraints restrict what states can do; program design and implementation reflect this fact. West Virginia, for example, runs a straight workfare program with mandatory participation for all but women with children under six. Benefits are worked off at minimum-wage rates for as long as a recipient is on welfare. The Massachusetts program, which is entirely voluntary, provides job search, training and placement services with child care, and transportation and medical coverage into the first year of private-sector work. But the state's job placement method does not differ appreciably from the job search preceding traditional workfare programs, and participation in the program is actively encouraged if low-key. However, states with mandatory workfare programs provide numerous exceptions and do not always have the capacity to provide and supervise work for all eligibles.

3. On the whole, welfare recipients themselves do not seem to view work requirements as either unfair or punitive, and in some

[3]For example, a Sindlinger Poll commissioned by the Heritage Foundation in 1985 found 94 percent of Americans supported the principle of working off welfare benefits. Other national polls show 88 to 93 percent support.

cases work provides a source of pride. The Manpower Demonstration Research Corporation (MDRC), which studied welfare employment initiatives in 11 states over a five-year period, found "quite similar" results at various worksites throughout the country: even in jobs that required relatively few skills, there were "high levels of job satisfaction, and an acknowledgment that a requirement to work for one's welfare check is a fair principle" (Ball et al. 1984, p. xvii). Participants interviewed in Arkansas "said that they liked their jobs, believed they had learned something, and stated that they felt better about getting welfare when they were working for it" (Friedlander et al. 1985, p. xvii). In view of the recent history of work strategies and caseworker resistance to them, the following comment on workfare implementation in Virginia is both illuminating and heartening: "Because of a lack of consensus on the general value of work experience, staff initially treated the component as voluntary. As staff found that registrants liked the component, however, they became more comfortable using it" (Price 1985, p. xxi).

4. There is little hard data on the cost effectiveness of work-for-welfare, or on its impact on caseload reduction. Such data as do exist—and MDRC provides some of the most reliable to date, given the difficulties of quantifying some of the factors—will provide both opponents and supporters of workfare with ammunition, since the glass is both half-full and half-empty. One typical MDRC finding, for example, showed that 61 percent of the experimental group in San Diego obtained private-sector jobs over an 18-month period, compared to 55.4 percent of the control group. An improvement, certainly, and important to the individuals involved, but hardly a cause of joy for those who expect a significant budgetary impact. The more so because "savings" in studies of this kind deduct the monetary value of "social benefits" from expenditures, which does not necessarily reflect a reduction in expenditure levels.

Cost reduction "success" in programs without control groups is even more difficult to measure and depends very much on how the evaluator chooses to define it. Such evaluations can range from the modest conclusion in a report on the Ohio work programs, that "the resultant welfare savings are substantially less than program costs," to claims by Massachusetts officials that their much more ambitious program "saves" the state $22 million a year in welfare costs (Potomac Institute 1985, p. i.; Overbea 1985).

In fact, the Massachusetts program is probably no more nor less successful than other work-for-welfare designs, but it still awaits a serious study. Meanwhile, the facts are these: the state's Employment Training Choices Program (ET) has placed over 18,000 welfare

recipients in jobs in two years of operation (Overbea 1985). Critics have pointed out that Massachusetts has a very low unemployment rate and wonder whether such figures could be duplicated elsewhere. But a more salient question is whether that is such a notable achievement at all. According to a Massachusetts Department of Public Welfare (1985) report, more than half of the state's AFDC families stay on welfare less than a year. The report also states that the number of welfare recipients who are not in the ET program and who find jobs through other means is the same as the number who find jobs through ET. Further, since there is no control group, it cannot be determined how many of the 18,000 would have found jobs in any case. It is also not clear how competition in the job market by some AFDC recipients through ET initiatives affects other job seekers who are potential AFDC clients. There seem to be as many new case openings as closings. When the ET program began in October 1983, the welfare caseload was 89,700; in September 1985, it was 88,800. Over the two-year period, the monthly caseload did drop to as low as 84,600 but also has risen to as high as 89,000. The caseload varies by several thousand from month to month, but the trend is level.[4] And this is in spite of Massachusetts' low unemployment rate.

By contrast, the caseload in Massachusetts during the two-year period before adopting ET had decreased by about 25 percent. Moreover, each ET job placement thus far has cost Massachusetts about $3,000 and costs are projected to rise, primarily because of the day care component. The state's per-placement costs in the WIN program from 1978 to 1981 averaged $900.[5] The Massachusetts experience illustrates perfectly the continuing tension between the two very different goals of work programs: reducing caseloads versus providing a service for welfare recipients.

## The Case for Workfare

The case for workfare cannot really be made on cost-saving grounds, at least in the short run. Depending on the design and goals of the program, it can be either more or less expensive than welfare without work requirements. But there are obvious though unquantifiable social benefits in establishing a system wherein reciprocal obligations and mutual respect are the basis for the interaction of welfare recipients and society.

[4]Data from the Office of Family Assistance, Social Security Administration, U.S. Department of Health and Human Services.
[5]Ibid.

Dependency can certainly be exacerbated by a lack of commitment to the work ethic, but work requirements in welfare programs or the lack of them are only a small part of the total picture, as de Tocqueville once observed. Just as then, work requirements today will not provide a panacea for dependency. Workfare in the 1980s has a better chance for success than it did in the 1960s and 1970s, but only if we learn to be happy with marginal successes. And we must be realistic about the ability of any welfare reform to solve the intrinsic problems of income transfer disincentives.

History shows, however, that some economic inefficiency is a price our wealthy society may be willing to pay to assist the needy. But we should be quite clear about the difference between doing something to the poor for our own benefit—whether we are social workers or taxpayers—and actually doing something *for* the poor.

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# WELFARE AND WORK: MICROECONOMIC VS. MACROECONOMIC CONSIDERATIONS

*William A. Darity, Jr. and Samuel L. Myers, Jr.*

Anna Kondratas (1986) provides a balanced and pragmatic assessment of the likely short-run advantages and disadvantages of incremental changes in welfare rules and requirements. The specific changes to which the essay refers are changes in work requirements. Two sections of the paper admirably summarize the history of workfare and the preliminary insights learned from attempts to implement workfare in several states. But the main thrust of the paper goes to the core of the debate on the benefits and costs of *any* incremental changes to welfare in America.

By incremental change, we mean the sort of marginal tinkering with welfare rules, eligibility requirements, work requirements, or benefit formulae that leaves largely unchanged the functional role of the public welfare system. The marginal tinkering can and often does produce results that must be evaluated with the fine lens of the microeconomist. That explains the proliferation of such terminology as "incentives," "disincentives," and "rational choice" among analysts in this area.

The bigger picture—the picture that portrays the complex and frequently contradictory functions of public welfare in a democratic society—is often obscured when one narrows the focus to the behavior of welfare recipients. Indeed, the microbehavior of other important actors in the big picture might be inadvertently overlooked when one contrains the analysis to, say, unwed teenage mothers. For example, conventional studies, such as those using the National Survey

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of Family Growth to investigate the use of contraceptives by youth, are structured to answer these questions: Why do black females not make effective use of birth-control pills, and why do black females begin sexual activity at such an early age? But these questions cannot inform us about why black males do not use prophylactics or why black males do not take responsibility for the outcomes of their sexual adventures. In the absence of hard evidence to inform answers to these questions, anecdotes and conjectures prevail over facts and truth.

While it is obvious that it takes men and women to create babies born out of wedlock, what is less obvious when one examines the microlevel evidence is why we know so little about the fathers of these unwanted births. Although it is obvious that AFDC is largely a program for mothers and their children, it is less obvious why we know so little about the work behavior, the labor force participation, the legitimate and illegitimate earnings, and the multiple program participation of the men in the lives of those families. In other words, why is our informational base for decision making so constrained?

Some of the conjectures that Kondratas raises about the work disincentives of welfare and the effects of workfare can be faulted for relying too heavily on a meager informational base. For example, she suggests most men will withdraw from the labor market when the female's welfare benefits increase. But this hypothesis cannot be tested adequately using cross-sectional data like the Current Population Survey (CPS); and in panels, like the Panel Study of Income Dynamics (PSID), black males disproportionately drop out of the sample. Other comments are more speculation than fact. For example, she contends that marital behavior and welfare participation are a response to rational choices. In a recent paper (Darity and Myers 1984) we find such demographic variables as the sex-ratio, not welfare attractiveness, explain the rise in female-headed families among blacks.

Since most of this speculation and conjecture is balanced with the appropriate caveats and caution, and since there are major insights that can help us visualize the bigger picture, the following comments are limited to an elaboration of a brilliant, although unexploited, thesis embedded in Kondratas's paper. This insight concerns the role of welfare managers in the current welfare crisis. It is useful, however, to begin by sketching out the micro- versus macro-economic interpretation of the relationship between work and welfare.

## Welfare Growth and Labor Force Withdrawal

The first version of the big picture is grounded in the neoclassical microeconomic wisdom of rational choice: increases in welfare

attractiveness induce the withdrawal from the labor market of the least productive workers. In the telling of this story, Richard Butler and James Heckman (1977) contend that the self-selection effect is particularly pronounced among blacks and thus contributes to the illusion of significant earnings gains for blacks relative to whites during the post–civil rights era. The support that Richard Freeman (1973) and others have found for the effectiveness of Affirmative Action policies in reducing earnings inequality is therefore soundly challenged. Butler and Heckman conclude that government transfer programs have hurt rather than helped the prospects of moving the poor into the mainstream of the work force.

## Unemployment and Welfare Growth

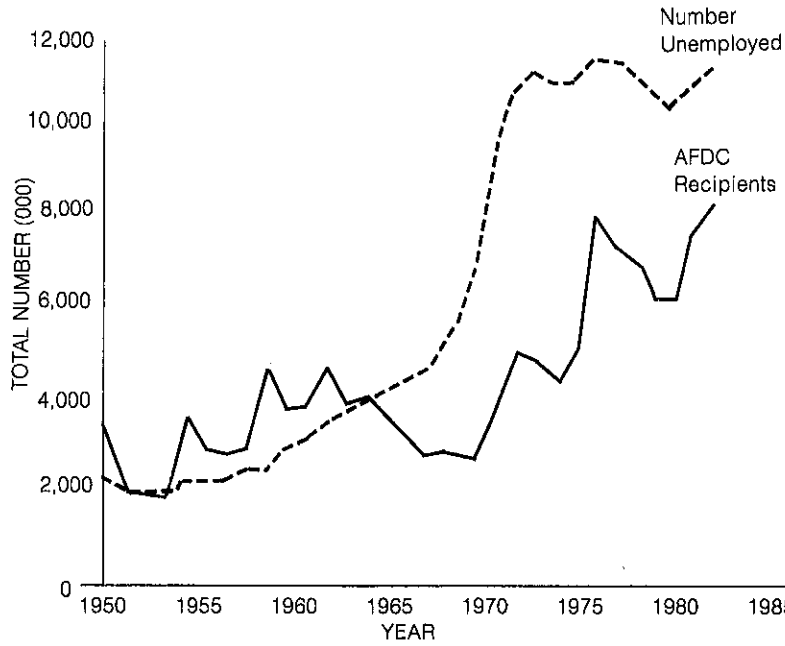
A second version of the big picture is that welfare is used as a labor market regulatory device. When the pool of surplus labor grows, welfare loads grow in order to dampen the potential political repercussions of masses of idle workers. When the pool declines, or when labor shortages develop, real welfare benefits fall and welfare rolls are reduced to keep private sector wages low and to replenish supply. The best-known rendition of this story is found in Piven and Cloward (1971), although other variants point to similar conclusions (Roberts 1985; Katz 1985).

Both stories predict explicit relationships between aggregate levels of unemployment and welfare. The microeconomic version predicts an inverse relationship. As welfare benefits rise (perhaps due to improved economic conditions) those with the highest levels of unemployment withdraw from the market in favor of welfare: Welfare grows but unemployment declines. The macroeconomic version suggests the opposite. When unemployment increases, welfare should increase; when it falls, so too must welfare.

A look at Figures 1 and 2 reveals limited support for the selective withdrawal hypotheses during the 1960s and early 1970s. During a decade when unemployment dropped from 6.7 percent in 1961 to 3.5 percent in 1969, welfare grew from 1.96 percent of the population to 3.6 percent, or from 3.5 million to 7.3 million people.

After 1972 or so, however, the pattern changed. Welfare totals and rates move more closely with unemployment. In recent years, the regulatory role of welfare seems to be at work. The macroeconomic picture seems more appropriate for describing recent trends than does the microeconomic perspective.

*FIGURE 1*
NUMBER OF AFDC RECIPIENTS AND UNEMPLOYED PERSONS, 1950–81

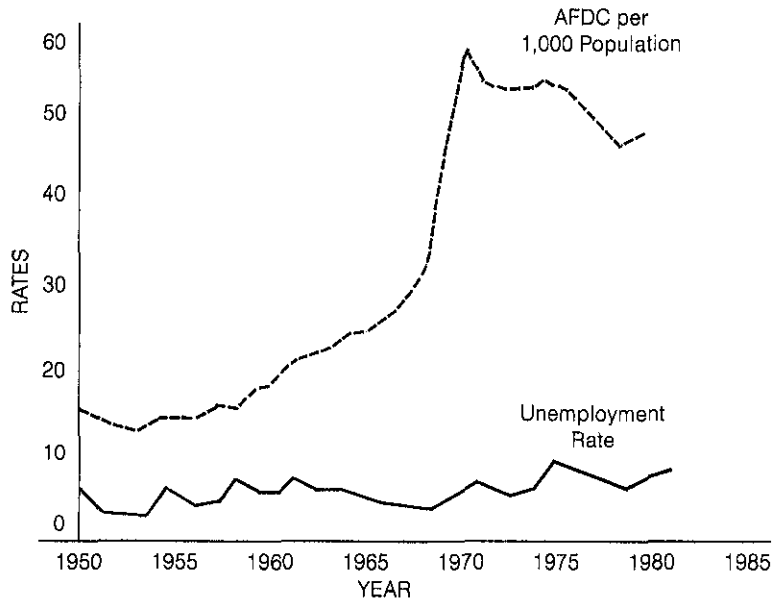



## Managing Welfare

For welfare to serve a labor market regulatory role, however, there must be regulators. And here is where Kondratas's paper is so illuminating. We see a clear example of a bureaucratic and administrative apparatus that grows and grows and becomes an independent managing agency for the poor. Welfare administrators' interests, as Kondratas suggests, play as important a role in determining welfare outcomes as the behaviors, rational or not, of their clients.

In several of our recent papers (Darity and Myers 1983, 1984a, 1984b) and in our forthcoming book we contend that the welfare crisis and the rise in black female-headed families are statistically correlated with the expansion of welfare benefits, but not for the reasons that Charles Murray (1984) and others have suggested. Rather, the direction of causation is the other way around. The growth in size and composition of the welfare eligible population has influenced changes in welfare administrative parameters. These changes, in turn, have had little to do with the "welfare" of the poor, because

*FIGURE 2*
AFDC PARTICIPATION RATE AND UNEMPLOYMENT, 1950–81




the newly emerging managerial class that oversees the welfare bureaucracy—increasingly black and female—has ambiguous and often conflicting motives toward the poor.

For example, the most significant employment gains for black female professional workers in the 1970s were in the industry classification, public administration, which includes state and local government, federal agencies, and yes, welfare offices (Malveaux 1985). These gains can either be protected by maintaining the size of the welfare pool or by more efficiently moving clients on and off the rolls. Indeed, one interpretation of findings that demonstrate a decline in long-term dependency is that turnover rates in recent years have increased. In other words, the size of the welfare pool can be maintained by welfare managers even as there is a drastic shift in its composition.

The future task of political economy of welfare is to unravel these contradictory and complementary motives of welfare regulators. Viewing them as a special interest group, a managerial elite, or as a class whose interests are misaligned with their clients' may prove a

useful function in helping to understand the larger phenomenon of the regulatory role of the state.

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