Aid to Families with Dependent Children

January 1987

Office of the Legislative Auditor
State of Minnesota

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January 30, 1987

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In April 1986, the Legislative Audit Commission directed the Program Evaluation Division to study the Aid to Families with Dependent Children program. Many legislators thought that the program was not working well, but there was no consensus on what should be done about it.

Like others who have studied welfare issues, we learned that there are no easy answers. We are convinced, however, that progress can be made. This report provides the research which we think can inform various aspects of the welfare debate. Our report summarizes national studies, analyzes trends in Minnesota's AFDC program, and recommends several changes in approach. We offer it, however, fully aware that final decisions on several key questions must come from the value judgments of elected officials.

We received the full cooperation of the Departments of Human Services and Jobs and Training, and the Office of Full Productivity and Opportunity. We thank the staffs of the county social service agencies, whose assistance was crucial in completing our research.

This report was written by Joel Alter, Allan Baumgarten (Project Manager), Edward Burek, Fiona Sigalla, and Kathleen Vanderwall, with assistance from David Rafter.

Sincerely yours,

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Executive Summary

Each month, Minnesota's Aid to Families with Dependent Children (AFDC) program provides cash grants to more than 53,000 low-income families. Our study examined trends in the AFDC program and what steps the state can take to help AFDC recipients become more self-sufficient. We asked:

- Do Minnesota's relatively high benefits attract new recipients from other states?
- How employable are Minnesota's AFDC recipients? How can the Legislature design state programs to help recipients become more self-sufficient?
- How are counties using state child care subsidies for low-income families? Are state and county child support enforcement programs operated effectively?

A. MINNESOTA'S AFDC PROGRAM

1. EXPENDITURE TRENDS

In 1986, payments to Minnesota AFDC recipients totaled $286.4 million, an increase of 29 percent in three years. Smaller increases are projected in 1988-89. The federal government pays 53 percent of the cost, the state pays 40 percent, and counties, which administer AFDC, pay 7 percent. Minnesota's AFDC grants are the fifth highest in the country. A family of one adult and two children receives a monthly grant of $532. Recipients are eligible for Medical Assistance, and about 80 percent get food stamps.

2. CASELOAD TRENDS

In 1986, an average of 100,000 children and 58,000 adults were in the AFDC program each month. This is about 3.9 percent of Minnesota's population, putting it in 32nd place for utilization among the states. Minnesota's AFDC caseload has increased steadily since 1983. Much of the increase has come in what is called the *AFDC Unemployed Parent* program that provides AFDC benefits to two-parent families whose primary wage earner is unemployed. The Unemployed Parent caseload has grown in economically depressed parts of the state and because of refugees from Southeast Asia who are no longer eligible for special refugee programs.

a. *Impact of Divorce Rates and Out-of-Wedlock Births*

Utilization of AFDC by single-parent households has increased only slightly. Most women who enter the AFDC program do so when they divorce or separate from their spouses or when they have a child out-of-wedlock. Minnesota has lower rates of teen pregnancy, out-of-wedlock births, and divorce than the nation as a whole, and these factors will probably not cause noticeable growth in Minnesota's AFDC caseload in the near future.

A decline in the number of women ages 15 to 19 is expected to result in an overall decline in out-of-wedlock births. Fewer divorces among women under 30 will lead to an older population of single mothers who are likely to be more employable than very young single mothers. However, the high rate of teen pregnancy among non-white women is a serious problem.

Some welfare critics argue that the availability of high welfare benefits helps to create single-parent households by encouraging divorce and enabling women to "make do" when they have a child out-of-wedlock. Research shows that higher AFDC benefits do provide a strong incentive for young, single mothers to leave their parents' homes and establish their own households, and that benefits provide an incentive for young women to divorce. Whether these effects are desirable requires value judgments. Existing research has not resolved the question of whether welfare benefit levels encourage out-of-wedlock births.

b. *Rates of Poverty and Welfare*

Minnesota's relatively high benefit payments apparently raise many families' income above the poverty level. Data from the Current Population Survey indicate that the 1985 family poverty rate in Minnesota would have been much higher without public assistance programs.

However, welfare payments have declined in purchasing power since 1976 and are less effective in raising incomes above the poverty level. In 1976, AFDC grants and food stamps in Minnesota provided a family with an income that was as high as the federal poverty level. We found:

- AFDC grants have not kept pace with inflation. In 1986, AFDC and food stamps together provided 80 percent of poverty-level income.

3. MIGRATION

Do Minnesota's relatively high AFDC grants attract families from other states and increase Minnesota's caseload? To study this question, we enlisted county social service agencies in a survey of applicants for AFDC. Between July and November of 1986, new applicants who had lived in the county for less than six months were asked when they had moved, where they had moved from, whether they had previously received AFDC, and when they had last worked.

We found that 1,161 (19 percent) of the 6,236 new AFDC households approved between August and November had moved to Minnesota within six months of applying for AFDC. More than half of the 1,161 migrants had previously lived in Minnesota, and one in four came from states whose AFDC grants are as high as Minnesota's. While Illinois was the most common state of origin, about one in four migrants came from states bordering Minnesota.

We used three criteria to identify households which may have moved to Minnesota because of higher AFDC grants: households which had moved from states with lower AFDC grants, applied for benefits soon after moving, and had not lived in Minnesota before. We found:

- About 6.4 percent of the new AFDC households statewide may have moved because of Minnesota's grants.

But the impact of welfare migrants on AFDC caseloads is more significant in certain counties than in the state as a whole. For example, 15 of the 22 families approved for benefits in Pipestone County came from other states, and seven of the fifteen met the criteria for possibly having moved here because of AFDC grants. Welfare migration is a visible issue in counties bordering North Dakota and South Dakota, states which give much smaller AFDC grants and do not provide grants to two-parent families.

We analyzed how many AFDC recipients leave Minnesota and found:

- The number of low-income households entering the state is largely offset by the number leaving.

Between August and November, when 1,161 families from other states began AFDC, at least 881 households left Minnesota's AFDC program by leaving the state. The number of outmigrants is probably higher, since it may include some of the 4,000 households that "dropped out" of AFDC by not returning eligibility forms. Our study showed that many families moved from Minnesota to North Dakota and Wisconsin and then applied for AFDC benefits soon after moving.

While we could not precisely measure the net effect of welfare migration, we conclude that it is not having a serious impact on state AFDC caseloads. However, it is contributing to caseload increases in counties bordering North and South Dakota and in Hennepin and Ramsey counties.

B. EMPLOYMENT FOR AFDC RECIPIENTS

1. CHARACTERISTICS OF MINNESOTA RECIPIENTS

Much of the debate over AFDC is concerned with how the state can help recipients become more self-sufficient through employment. Using recent studies, we identified several characteristics, such as education and work experience, which affect a recipient's employability. We then examined data on Minnesota AFDC recipients to describe how employable they are and to identify potential barriers to their employment.

For example, recipients without a high school education or recent work experience can be ranked "low" for employability, while recipients with post-high school training and those who are currently working can be ranked "high." We also concluded that heads of small households are more employable than heads of large households. In our analysis, we found:

- Few Minnesota recipients rank "high" on all three key measures of employability; most have some characteristics which create barriers to employment. But only two percent of recipients have deficiencies in all three areas.

We examined the employability of various subgroups of recipients. For example, recipients who entered AFDC when they were 18 or younger--about nine percent of the caseload--generally have serious employability deficiencies. Almost half of these "teen" recipients have received AFDC for more than three consecutive years, and half have not completed high school. Only six percent are employed, while over half have never been employed or have not worked recently. By comparison, only 22 percent of non-teen recipients have received AFDC for more than three consecutive years, and three out of four have completed high school.

We also found that AFDC Unemployed Parent recipients are more employable than AFDC Regular households, based on their education and employment history. Most have recent work experience and have completed high school. For many, the key barrier to their employment may be a depressed local economy: almost one-third of AFDC Unemployed Parent households live in counties where the unemployment rate is over seven percent.

2. WELFARE AND WORK INCENTIVES

About 17 percent of AFDC recipients in Minnesota are employed. Minnesota ranks among the top seven states in the percentage of AFDC recipients who are employed and generally has higher employment rates than other states with high AFDC grants.

Nevertheless, AFDC recipients in Minnesota who want to work face a difficult economic decision because increases in earnings result in reduced AFDC grants. Earnings above a certain level result in the loss of AFDC, followed by loss of Medical Assistance coverage.

Using a computer model, we simulated the interaction of assistance programs with federal and state taxes and measured the impact of increases in earned income. Calculating the effects of increased earnings for a family of one adult and two children, we found:

- For families earning between $3,000 and $7,000, an extra $100 in income will result in increased disposable income of $30 to $45.

- For families earning between $7,000 and $10,000, an extra $100 in income will increase disposable income by less than $5.

Most of the increase in earnings is offset by reductions in benefits and, to a lesser extent, by taxes. This is called the "benefit reduction rate." While studies generally conclude that high benefit reduction rates do not discourage work *per se*, we conclude that they may discourage *increased* work and earnings. Of course, AFDC recipients may base their decisions about work on factors other than money, such as a desire for independence or higher self-esteem. Alternatively, people may choose not to work away from home because they want to spend time with their children, or because they can only find very difficult or boring work.

The 1986 Welfare Reform Commission and the Legislature have considered proposals intended to increase AFDC recipients' incentives to work. Under one proposal, the state would set the *standard of need*--the amount the state says that a family needs to live on--higher than the grant level. This would enable a working recipient to keep more of the AFDC grant and have more spendable income. However, Utah's experience with this approach does not clearly show that lower benefit reduction rates cause large increases in work behavior. Furthermore, in allowing working recipients to keep more of their AFDC grants, the Legislature would have to choose between higher AFDC costs or lower grants to non-working recipients.

4. WORK AND TRAINING PROGRAMS FOR AFDC RECIPIENTS

We examined the issue of imposing work requirements on AFDC recipients or providing training and employment programs designed to help them become self-sufficient. We found:

- Employment programs usually increase recipients' overall earnings and employment rates, but have little effect on wage rates. The programs usually help participants by increasing their hours of work, but participants do not necessarily get better jobs.

Intensive employment and training programs have greater effects on earnings and employment rates than simple job search programs.

- There is little evidence that job search or training and employment programs produce large welfare savings in the short term. Furthermore, it is more difficult to achieve dramatic results in high-benefit states like Minnesota than in low-benefit states, since recipients in high-benefit states need larger increases in earnings to remove them from welfare.

Studies of these programs have concluded that some more expensive programs do result in savings through reduced AFDC payments and taxes on recipients after two or more years. However, only the most inexpensive programs, such as job search, tend to pay for themselves in the short term. Most employment programs benefit society as a whole because they produce increases in participants' earnings which exceed program costs.

Rather than requiring all recipients to participate, it would be more cost-effective for the state to target likely long-term recipients. A leading national study concluded that marital status is the best single predictor of long-term AFDC dependency; women who enter the program as never-married single mothers are much more likely to be long-term recipients than women who are divorced or separated. Our analysis of Minnesota recipients and national studies suggests that:

- Good target groups are recipients who began AFDC as teenagers and those without a high school diploma or recent work experience.

We also concluded that it would be cost-effective to include women with children under six, who are currently exempt from AFDC work requirements, in employment programs.

C. SUPPORT FOR INCREASED SELF-SUFFICIENCY

We examined two programs that support efforts by AFDC recipients to become more self-sufficient: child care subsidies and child support enforcement.

1. CHILD CARE

The availability and cost of child care are often cited as obstacles to AFDC recipients. Most respondents to a 1984 survey of single mothers in Minnesota said that the lack of child care is a problem, though not the main barrier to employment. Free or subsidized day care is a key component of employment programs in Massachusetts, California, and Illinois.

The Legislature established the Child Care Sliding Fee program in 1979 to give money to counties for child care subsidies for low-income families. In 1987, $6.1 million in grants will be distributed to counties. Through this program, AFDC recipients and other families with incomes below a certain threshold are eligible for child care subsidies to help them find or keep a job or receive training for employment.

We reviewed county day care plans and interviewed child care administrators in 23 county social service agencies to find out how they use the state grants. We found:

- Most counties provide Child Care Sliding Fee subsidies on a first-come, first-served basis. Few counties allocate funds on the basis of explicit priorities.

Several county administrators thought that the statute, amended in 1985, did not allow them to set local priorities for service. This first-come, first-served approach favors AFDC recipients in counties which do not advertise the availability of the program to other low-income families.

We found that different counties use the program to serve different groups. For example, eleven counties reported that they primarily use the state grants for AFDC recipients in education or training programs, while other counties said they do not use state grants for those AFDC recipients. Still others said they generally use state grants for non-AFDC recipients who are employed, but not those in school or training programs.

- Given this variation in practice and little statewide data on how child care subsidies are used, it is difficult to predict which eligible groups would benefit from an increase in state funding.

2. CHILD SUPPORT ENFORCEMENT

Collecting child support from absent parents helps fulfill a moral obligation and save public money. In 1986, county child support enforcement units collected $27.8 million for AFDC households in Minnesota (11 percent of AFDC payments). The counties' enforcement units provide services to all AFDC recipients and to non-recipients who request assistance. County units establish paternity of children, locate absent parents, obtain support orders, and enforce support obligations. Counties can use a wide array of enforcement tools, ranging from intercepting state and federal tax refunds to withholding wages.

The state Office of Child Support Enforcement in the Department of Human Services oversees the work of county enforcement units and determines whether they are in compliance with federal and state requirements. To meet federal standards, a county must adjudicate paternity, secure an enforceable support order, have the current address of the parent liable for support, and collect current support payments in 75 percent of its cases. If not in compliance, Minnesota could lose up to five percent of its federal AFDC funds.

- Of the 20 counties reviewed by the state office, only one was in compliance with all four federal performance standards. Most were out of compliance with at least two standards.

The reviews also showed that many counties were not making full use of certain enforcement tools. Counties may lack financial incentives to operate effective enforcement programs since they only receive seven percent of the recoveries, but pay 30 percent of the administrative costs.

D. CONCLUSIONS AND RECOMMENDATIONS

We conclude that some aspects of Minnesota's AFDC system are positive. The number of families receiving benefits is relatively low, and the proportion of working recipients is well above the national average. While Minnesota has high AFDC grants, the grants apparently help more AFDC recipients to have incomes above the poverty level than in most states. They also attract people from other states at only a modest rate.

However, there are obvious problems. The AFDC system does little more for most recipients than provide a monthly check and is not designed to encourage self-sufficiency. We conclude that a greater emphasis on "welfare-to-work" programs is both appropriate and feasible. Whether such programs should be voluntary or compulsory cannot be decided solely on the basis of empirical research; the evidence so far is not conclusive.

However, we think the Legislature should target certain subgroups of AFDC recipients for employment and training programs, in order to reduce state costs and increase self-sufficiency for recipients. Such targeting should focus on recipients with characteristics associated with welfare dependency, such as teen mothers and never-married mothers, and deficiencies in education and work history that can be effectively addressed by employment and training programs. In selecting recipients to target, we think that it is cost-effective for mothers of children over 18 months old to participate in employment and training programs, but the Legislature must decide whether recipients should retain the option of full-time parenting.

While the Legislature should seriously consider proposals to make work more attractive to AFDC recipients, we conclude that setting the AFDC standard of need higher than the grant level is not a strong option. While changes in the standard of need would increase a working recipient's spendable income, the benefit would be costly to the state and would probably result in relatively small increases in work.

There are some better ways to serve AFDC recipients with existing resources. For example, Child Care Sliding Fee subsidies apparently are not being carefully targeted in some counties, and counties are not coordinating the use of those funds with other sources of child care subsidies, such as post-secondary schools or special AFDC programs. Some counties believe that they cannot set priorities and instead allocate the funds on a first-come, first-served basis. We recommend:

- The Legislature should amend the statute, explicitly stating counties' authority to set priorities. In addition, the Legislature should require counties, AVTIs, and community colleges to coordinate their child care programs and funds.

- The Department of Jobs and Training should take a stronger role in providing leadership and technical assistance to counties operating Child Care Sliding Fee programs.

We also found that some counties are not effectively obtaining and enforcing court orders for child support. This could subject the state to stiff federal penalties and it also hurts single mothers. While counties receive a relatively small share of the recoveries, they do not face state sanctions for poor performance. We recommend that:

- The Legislature should consider allowing counties to retain a greater portion of child support collections as well as allowing the state to impose sanctions for poor performance.

Furthermore, the state Office of Child Support Enforcement should review county programs more frequently, particularly those that perform poorly.

Introduction

The Aid to Families with Dependent Children (AFDC) program is not the largest public assistance program in Minnesota, but it is the most visible and controversial. The AFDC program provokes broad and basic disagreements over welfare policy. Minnesotans seem to agree on only one key point: AFDC needs *reform*.

Several groups have worked hard during 1986 to develop strategies for AFDC reform. Not wanting to duplicate their efforts, we designed a study that would provide legislators with data not otherwise available and would apply the results of national studies and demonstration projects to Minnesota's AFDC program and its recipients.

We asked:

- Why has Minnesota's AFDC caseload increased recently, and are future increases likely? Do Minnesota's relatively high benefits attract new recipients from other states?

- How "employable" are Minnesota's AFDC recipients? How should the Legislature design state programs to help recipients become more self-sufficient?

- How are counties using state child care subsidies for low-income families? Are state and county child support enforcement programs effectively operated?

To help answer these questions, we collected data on recent applicants for AFDC and interviewed county social service staff about their child support enforcement efforts and their use of child care subsidies. We also reviewed recent studies on AFDC and identified employment and training programs which are effective in helping AFDC recipients become more self-sufficient.

This report has four parts. The first part (Chapters 1 to 4) looks at trends in Minnesota's AFDC program. In it we provide basic background information on AFDC in Minnesota and look at some factors which may affect utilization of the program in the future, including migration from other states, rates of birth and divorce, and progress in helping low-income persons out of poverty.

Part two (Chapters 5 to 9) of the report examines how Minnesota might help certain recipients become more self-sufficient through increased employment. It includes our analysis of the employability of AFDC recipients, a discussion of the economic incentives they face in deciding whether to seek employment, and a review of employment and training programs in Minnesota and other states.

In part three (Chapters 10 and 11) we look at two programs that can help recipients who are trying to become more self-sufficient: day care subsidies and child support enforcement. Finally, part four (Chapter 12) is a discussion of what strategies the Legislature should consider to help recipients become more self-sufficient as well as a review of certain policy questions that the Legislature needs to address.

Minnesota's AFDC Program

Chapter 1

The Aid to Families with Dependent Children (AFDC) program provides cash grants to households whose income and other resources fall below state standards. AFDC is a federal program, administered through state and local government agencies.

Congress first established the program in 1935 as part of the Social Security Act. AFDC was originally a federal grant to support and expand state programs providing pensions to widows, thereby helping them to stay home with their children. In the early years of the program, the federal government's role was generally limited to that of a one-third funding partner. In recent years, however, the role of the federal government has expanded, and states' flexibility in operating the program has been reduced.[1]

In this chapter, we describe Minnesota's AFDC grants and other assistance programs serving low-income persons. We also describe trends in Minnesota's AFDC caseload, and review the administration and costs of the program.

A. BENEFITS

1. CALCULATING AFDC ELIGIBILITY AND GRANTS

Although AFDC is a national program, states have broad discretion to set the level of AFDC grants. The method used by Minnesota and by many other states to set grant levels is based on two standards. The *standard of need* is the amount of money which a state determines is needed by a family for an appropriate standard of living. The *grant level* is the

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[1]For additional background on the AFDC program, see, for example, Congressional Research Service, *Administration of the AFDC Program*, a report to the House of Representatives Committee on Governmental Operations, 1977.

amount that the state actually pays to a recipient. In Minnesota, the standard of need and the grant level are the same. Some other states set the grant level below the standard of need.

Minnesota's grant levels are the fifth highest in the country. Of the four neighboring states, Wisconsin's grants are higher while grants in the other three states are significantly lower. The Legislature has increased Minnesota's grant levels several times in the past six years.

Figure 1.1 illustrates how AFDC and Food Stamp grant levels are set for a typical family of one adult and two children. While the grant level is $532 for that family, the grant is increased by $73 if the family includes another eligible adult. The grant is also increased for each additional child in the household. However, the amount of the increase is reduced for each additional child. Thus, a third child will increase the grant by $89, while a seventh child will increase the grant by $66.

In general, income earned by a recipient will reduce the amount of the monthly grant. However, as shown in Figure 1.1, a limited amount of income will be *disregarded* because of the recipient's costs for child care and other work expenses. Furthermore, working recipients may be eligible for the "30 and 1/3" work incentive, meaning that the first $30 plus one-third of additional earned income will be disregarded in calculating gross earned income each month and will not reduce their monthly grant. However, recipients may only use this disregard for four months in every twelve months that they work. In Chapters 6 and 7, we analyze these incentives and other work incentives in the AFDC program.

2. OTHER BENEFIT PROGRAMS

AFDC households also benefit from a number of other assistance programs. For example, AFDC recipients are automatically eligible for Medical Assistance coverage.[2] In Chapter 7, we discuss different approaches to valuing Medical Assistance benefits. When a recipient leaves the AFDC program because of increased income, Medical Assistance benefits may be continued for up to 15 months.

The Department of Human Services has estimated that about 80 percent of all single parent AFDC households receive Food Stamps. As shown in Figure 1.1, the eligibility and grant calculations for Food Stamps are different than those for AFDC. A typical Food Stamp grant for a family of three without other income would be $91 per month.

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[2]The Medical Assistance program originated in 1965 amendments to the Social Security Act and pays for specific medical and ancillary services to needy recipients. Counties implement the program through requirements in federal and state laws and regulations. In Minnesota in 1987, the costs of the program will be shared as follows: federal--53 percent, state--42.3 percent, and county--4.7 percent. Medical Assistance is sometimes referred to as Medicaid or Title XIX.

FIGURE 1.1

CALCULATION OF MONTHLY AFDC AND FOOD STAMP GRANTS[1]

EXAMPLE: A Single-Parent, Two Child Family With Monthly Earnings of $290

TO CALCULATE AFDC GRANT

STEP 1: Calculate TOTAL INCOME:

TOTAL INCOME = earned income + unearned income = $290

STEP 2: Calculate EARNED INCOME TAX CREDIT:

EARNED INCOME TAX CREDIT = .11 X earned income = $32

STEP 3: Calculate DAY CARE DISREGARD, based upon child care expense of $25 per week for one child:

Maximum DAY CARE DISREGARD = $160 per child
DAY CARE DISREGARD = lesser of maximum or child care expense
DAY CARE DISREGARD = $100

STEP 4: Calculate AFDC NET INCOME:

AFDC NET INCOME = earned income + EITC - work expense disregard
- day care disregard
= $290 + $32 - $75 - $100 = $147

STEP 5: Calculate 30 & 1/3 DISREGARD (if available):

30 & 1/3 DISREGARD = $\$30 + \frac{\text{earned income} - \$30}{3} = \$69$

STEP 6: Calculate AFDC AVAILABLE INCOME:

AFDC AVAILABLE INCOME = income - disregards + unearned income
= $147 - $69 + $0 = $78

STEP 7: Calculate AFDC GRANT based upon Minnesota's need standard for a single parent family of three

AFDC GRANT = AFDC need standard - AFDC available income
= $532 - $78 = $454

TO CALCULATE FOOD STAMP GRANT

STEP 8: Calculate FOOD STAMP CHILD CARE DISREGARD using same formula as for AFDC child care disregard

FOOD STAMP CHILD CARE DISREGARD = lesser of $160 or child care expense = $100

STEP 9: Calculate FOOD STAMP NET INCOME:

FOOD STAMP NET INCOME = total income + AFDC grant - $\frac{\text{earned income}}{5}$
- standard DISREGARD - Food Stamp Child Care DISREGARD
= $290 + $454 - $58 - $98 - $100 = $488

STEP 10: Calculate FOOD STAMP SHELTER DISREGARD based upon shelter cost of $250:

FOOD STAMP SHELTER DISREGARD = shelter cost - $\frac{\text{Food Stamp net income}}{2}$
= $250 - $244 = $6

STEP 11: Calculate FOOD STAMP INCOME BASE:

FOOD STAMP INCOME BASE = Food Stamp net income - Food Stamp shelter allowance
= $488 - $6 = $482

STEP 12: Calculate the FOOD STAMP GRANT based upon the federal food stamp allowance for a three-person household:

FOOD STAMP GRANT = Food Stamp guarantee
- (.3 X Food Stamp income base)
= $211 - $145 = $66

[1]This illustration assumes that the household has earned income. If it did not, the AFDC disregards would not be important, and the AFDC grant would equal the AFDC need standard of $532.

Some AFDC recipients also receive cash assistance to pay for their heating bills and live in subsidized housing. The Department of Human Services estimates that about one-third of AFDC recipients receive energy assistance, and that one in four lives in subsidized housing.

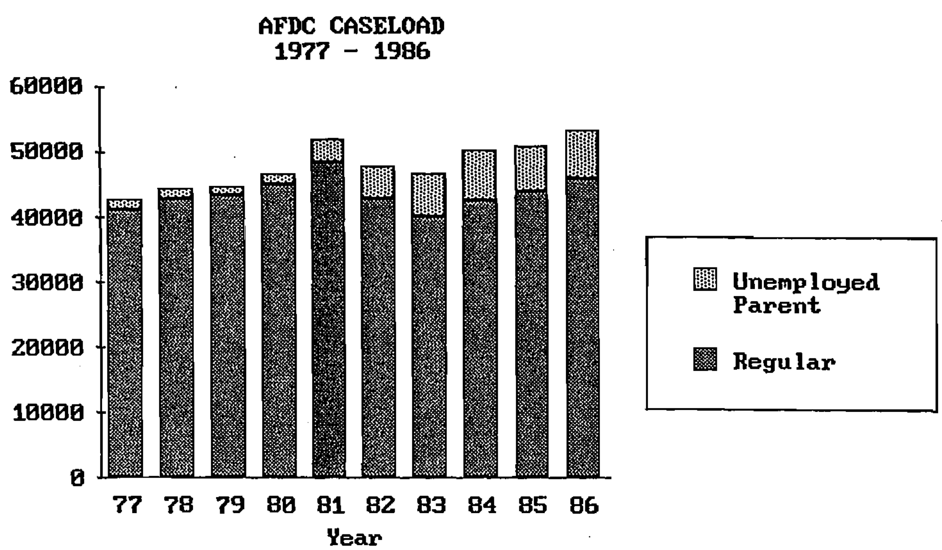
B. CASELOAD TRENDS

In comparison with other states, Minnesota's use of the AFDC program is relatively low. In 1986, an average of 100,000 children and 58,000 adults were in the AFDC program each month. This is about 3.9 percent of Minnesota's population, putting it in 32nd place among the states. The District of Columbia ranks first at 9.2 percent, and Michigan is a distant second at 7.5 percent. Nevada and New Hampshire have the lowest rates of utilization, with 1.4 percent of their populations receiving AFDC. Among neighboring states, 1984 utilization rates ranged from 6.1 percent in Wisconsin to 1.6 percent in North Dakota.

1. AFDC REGULAR PROGRAM

Figure 1.2 shows periods of growth and decline in Minnesota's AFDC Regular caseload. After peaking at about 48,000 households in 1981, the caseload declined by almost one-fifth as a result of changes in federal law.[3] However, the number of recipients has increased steadily since June 1982. In 1986, an average of 45,691 households received benefits each month from the AFDC Regular program.

FIGURE 1.2



Source: Department of Human Services.

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[3]Changes resulting from the Omnibus Budget and Reconciliation Act of 1981 (OBRA) are discussed in more detail in Chapter 6.

2. AFDC UNEMPLOYED PARENT PROGRAM

Minnesota is one of 25 states that have chosen to offer the AFDC Unemployed Parent program, which provides grants to families where two parents are present and the primary wage earner is unemployed. Use of Minnesota's AFDC Unemployed Parent program has grown significantly in the past ten years, particularly between 1980 and 1984. During those years, the average caseload grew from 1,711 to 7,629 households. The Department of Human Services has projected continued growth in 1987. Much of the growth has occurred in northeastern Minnesota and in other economically depressed parts of the state. In the metropolitan Twin Cities area, much of the growth in the AFDC Unemployed Parent caseload can be attributed to refugees from Southeast Asia, who, after three years, are no longer eligible for the special AFDC Refugees program.

C. ADMINISTRATION AND BUDGET

In Minnesota, income maintenance programs (like AFDC) and social service programs are *state-supervised and county-administered*. This means that the state Department of Human Services develops statewide policies and procedures to be followed by all counties. The Department of Human Services also operates computerized systems for counties to use in tracking AFDC recipients and for distributing grants.

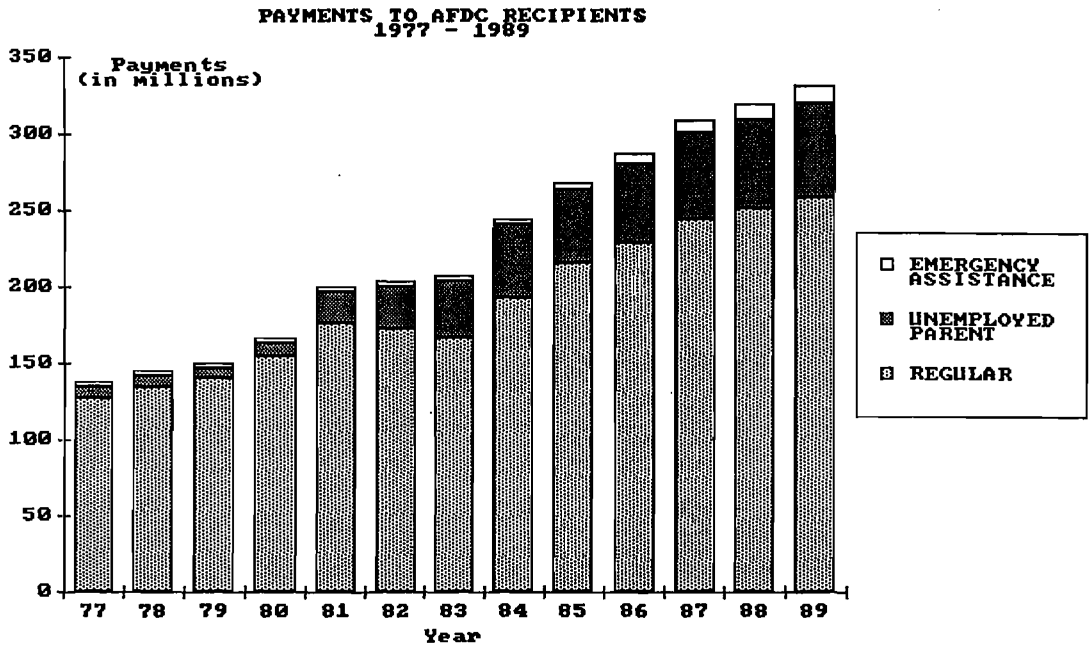
Counties have day-to-day responsibilities for administering the program. County financial workers receive and review applications for benefits, determine grant amounts, and conduct continuing reviews of eligibility.

In 1986, payments to Minnesota AFDC recipients totaled $286.4 million. Minnesota ranks eleventh in per capita AFDC expenditures. Since 1981, payments have increased an average of 8.6 percent per year. Figure 1.3 shows the trend of payments since 1977 for the AFDC Regular, Unemployed Parent, and Emergency Assistance programs. The Department of Human Services has projected continued growth in caseload and payments during the 1987-1989 biennium, particularly for the AFDC Unemployed Parent program.

The cost of AFDC grants is split between the federal, state, and county governments. For the Regular and Unemployed Parent programs in 1987, the federal government pays 53 percent, while the state and county pay 40 percent and seven percent, respectively.

Administrative costs are split differently. The federal government pays half, and counties pay 48 percent. Administrative costs in 1986 totaled $21.3 million. In some years, the state appropriates a limited amount of administrative aids to counties to defray their costs for all income maintenance programs. In 1986, $4 million was distributed to counties for that purpose.

FIGURE 1.3



Source: Department of Human Services. Projected data for 1987-89.

Migration
Chapter 2

Do Minnesota's AFDC grants, the fifth highest in the country, attract low-income people to the state? In this chapter, we review studies of the movement of low-income people and of whether welfare benefits motivate low-income families to move. We also report the results of our own study of households who migrate to Minnesota and apply for AFDC.

We asked:

- What proportion of new AFDC households come from other states, and what effect do such migrants have on Minnesota's AFDC program?
- What proportion of new AFDC households may be attracted by Minnesota's AFDC grants?

A. MIGRATION OF LOW-INCOME PEOPLE

A study by the Center for Social Welfare Policy and Law examined national migration trends between 1975 and 1983 and concluded that the migration patterns of families with incomes below the poverty level are similar to those of the population as a whole. States in the Northeast and Midwest lost more than 3 million people, including more than half a million people below poverty level, mostly to states in the South and West.[1]

The State Demographer has found that between 1975 and 1980 Minnesota had a net gain of 4,489 people whose incomes were below the poverty level.[2] During this period, 9,054 poor people came to Minnesota from other coun-

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[1]Center for Social Welfare Policy and Law, *Beyond the Myths*, p. 13.

[2]Office of State Demographer, Minnesota State Planning Agency, *Population Notes*, September 1984.

tries. Many of them were refugees from Southeast Asia. When the immigrants from abroad are not considered, Minnesota had a small net movement of poor people to other states.

B. STUDIES IN OTHER STATES

Several studies have examined whether higher welfare benefits are an incentive to migration. While none has conclusively found that benefits alone attract low-income families, several have concluded that benefits do have some influence.[3] However, most of the studies are not directly applicable to Minnesota, because they look at moves that occurred prior to the 1980 census and focus on the movement of southern blacks to northern and midwestern cities. Since that time, there have been major changes in national migration patterns, federal AFDC policies, and benefits granted by individual states.

More useful studies are available from two midwestern states, Michigan and Wisconsin, which have also worried that their welfare benefits may attract low-income families from other states. Researchers in those states surveyed recent in-migrants to ask why they left their previous state and how they chose a new state.

In 1981, the Michigan Department of Social Services surveyed all applicants for AFDC and General Assistance for one month. It found that 16.3 percent of applicants had moved to Michigan in the previous year.[4] It

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[3]One paper, using data from a 1967 study of AFDC by the U.S. Department of Health, Education, and Welfare, concluded that "the potential [AFDC] benefit level appeared to exert a strong positive influence on recipient migration." (Lawrence Southwick, Jr., "Public Welfare Programs and Recipient Migration," *Growth and Change*, Vol. 12:4, October 1981, pages 22-32.) Other studies have disagreed, finding that people have chosen to move to the metropolitan areas offering the most economic opportunity. (Gordon F. DeJong and William L. Donnelly, "Public Welfare and Migration," *Social Science Quarterly*, September 1973, pages 329-344.) In one study, the author concluded that high welfare benefits and wage levels often go together in destination states, and that the two factors are both important in explaining the locational choices made by female-headed households. (Rebecca Blank, "The Effect of Economic Opportunity on the Location Decisions of Female-Headed Households," unpublished manuscript, Princeton University, 1985.) Other researchers have found some slight "magnet" effect, but have concluded the numbers are so small that the net effect is insignificant. (Paul Voss, *Migration of Low Income Families and Individuals*. Madison, 1985.)

[4]Michigan Department of Social Services, *Final Report on Immigration to Michigan by GA and ADC Applicants*, January 1982. In the Michigan study, 61 percent of the applicants were for the AFDC program and 39 percent were for Michigan's General Assistance program.

then identified the applicants who were in a "high probability group" and were "most likely to have moved to Michigan for welfare benefits," using three criteria:

1. Applicant came from a state paying lower welfare benefits.

2. Applicant applied for benefits within three months of arriving in Michigan.

3. Applicant did not have a prior Michigan residency of at least one year.

Michigan found that 21.5 percent of all the out-of-state applicants met these criteria. This number represented only about three percent of all applicants in that month. When asked about their motivation for coming to Michigan, most out-of-state applicants, including those in the high probability group, said they came to Michigan to look for work or to be with family and friends. Almost none said that they came because "welfare was better in Michigan."

Wisconsin has been evaluating migration to and from the state through a study by its Expenditure Commission and in a series of local studies conducted by the Institute for Research on Poverty at the University of Wisconsin-Madison.[5] The Wisconsin Expenditure Commission looked at both the state's AFDC caseload and new openings in certain months in 1986. It found that the majority of recipients in both cases were Wisconsin natives. About 19 percent of all new recipients had applied for AFDC within three months of moving to Wisconsin. Among the recent movers, about 22 percent had previously lived in Wisconsin and were now returning.[6]

The Wisconsin study took the approach that "if you want to know why the welfare poor migrate, then ask them." The researchers conducted telephone interviews with 683 migrants. When asked why they moved to Wisconsin, 41 percent said "to be near family or friends," while 16 percent said they were attracted by the possibility of better jobs. Only one respondent cited better welfare benefits.

The Wisconsin report concluded that roughly three percent of new applicants in those months had moved to Wisconsin because of the state's AFDC

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[5]Voss's study in Wisconsin showed a very small net in-migration of AFDC households, accounting for less than one percent of the state's caseload. Most of the net in-migration was from Illinois, which has a large population on Wisconsin's southern border.

[6]Wisconsin Expenditure Commission, *The Migration Impact of Wisconsin's AFDC Benefit Levels*, Report of the Welfare Magnet Study Committee, 1986.

benefits. It also concluded that this group's impact on the the size of the state's AFDC caseload was extremely small. However, the study suggested the group's impact might be more significant in certain regions, because "welfare migrants" tended to settle disproportionately in Milwaukee County and in small, but conspicuous, numbers in other counties near the Illinois border.

C. MIGRATION TO MINNESOTA

To examine how many new AFDC recipients were coming from other states and their impact on the state's program, we enlisted county social service agencies and the Department of Human Services in a survey of new applicants. Beginning July 1, 1986, we asked county agencies in all 87 counties to find out whether applicants for AFDC were "newcomers"--that is, if they had lived in the county for less than six months. The newcomers were then asked a series of questions about when they had moved, where they moved from, previous receipt of AFDC benefits, and last work experience.[7] The survey form is reproduced in Appendix A.[8]

By December 15, counties had identified nearly 2,500 newcomers. With the assistance of the Department of Human Services, we matched the survey respondents with the department's case information files to gain additional information, such as the specific AFDC program (Regular or Unemployed Parent) the family was in, the size of the household, and the size of the grant. Our analysis does not include families from Southeast Asia who are in the federal AFDC Refugees program.

1. NEW AFDC RECIPIENTS FROM OTHER STATES

From August to November of 1986, 6,236 households were newly approved for AFDC benefits in Minnesota.[9] An additional 7,286 households were

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[7]Applicants were not asked why they had moved from their previous state or why they had chosen Minnesota. We thought that such questions, asked during an eligibility interview, would not yield useful responses. The Wisconsin study conducted phone interviews with 1,146 newcomers, asking about reasons for leaving one state and for moving to Wisconsin. To provide a comparison, the researchers plan to interview recent migrants to Hennepin and Ramsey counties and Cook County, Illinois.

[8]By law, applicants were not required to respond to the questions. They were informed that their participation was voluntary and that their decision whether or not to respond would not affect their eligibility for assistance. While very few applicants declined to answer, certain surveys were returned incomplete, and could not be used.

[9]The data reported are based on households approved for AFDC in the August through November "transaction months." Transactions occurring after the 20th of each month are reported with the next month's business.

"reopened," that is, approved for benefits after having left the AFDC program within the past two years. Based on our survey, we found:

- About 19 percent of the newly approved AFDC households were newcomers to Minnesota. They had moved to Minnesota within six months of applying for benefits.

During this period, 1,161 households who had recently moved from other states were approved for AFDC benefits. Table 2.1 shows, by economic development region, the number of households newly approved for benefits and the number of those coming from other states. (See Figure 2.1 for a map of Minnesota's economic development regions.) Additional data, by county, are included in Appendix B. Two regions--1 (northwest) and 8 (southwest)--had higher than average concentrations of newcomers, one-fourth and one-third of new openings, respectively.

The table separates those households entering the AFDC Regular program and those in AFDC Unemployed Parent program. While one in five new households in the AFDC Regular program had recently moved from outside Minnesota, the proportion coming into the AFDC Unemployed Parent program was lower.

FIGURE 2.1

MINNESOTA'S ECONOMIC DEVELOPMENT REGIONS

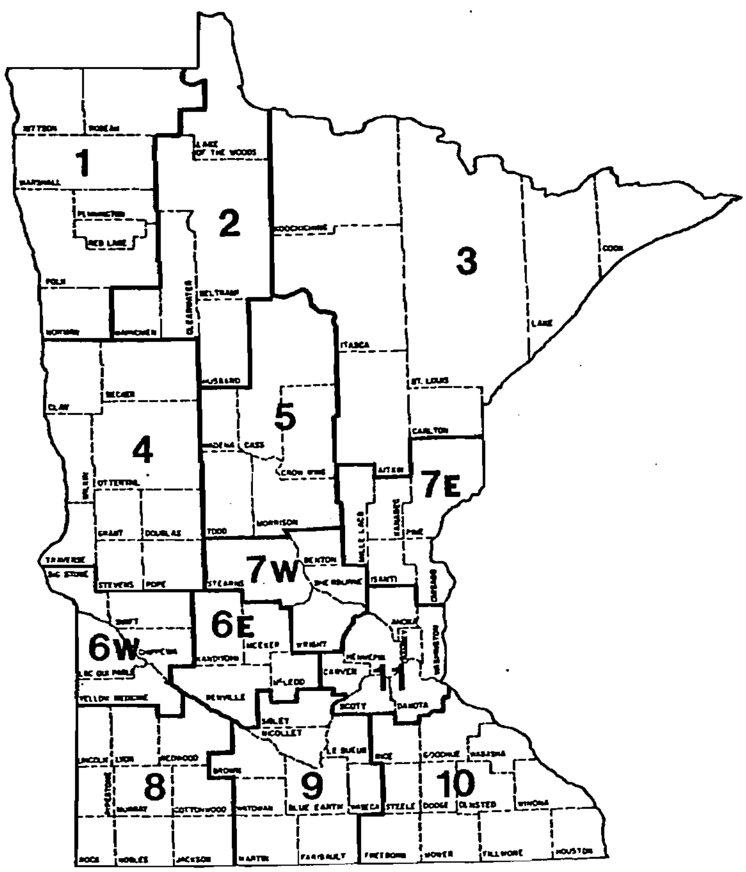

TABLE 2.1

NEW CASE OPENINGS BY REGION AND AFDC SUB-PROGRAM

	AFDC Regular			AFDC Unemployed Parent			Total		
Region	New Openings	Movers	Movers as a Percent of New Openings	New Openings	Movers	Movers as a Percent of New Openings	New Openings	Movers	Movers as a Percent of New Openings
1	129	38	29.5%	61	11	18.0%	190	49	25.8%
2	157	22	14.0	38	4	10.5	195	26	13.3
3	480	79	16.5	224	24	10.7	704	103	14.6
4	319	77	24.1	87	14	16.1	406	91	22.4
5	187	30	16.0	88	8	9.1	275	38	13.8
6E	109	18	16.5	53	8	15.1	162	26	16.0
6W	45	9	20.0	19	2	10.5	64	11	17.2
7E	128	17	13.3	44	5	11.4	172	22	12.8
7W	178	23	12.9	59	3	5.1	237	26	11.0
8	125	49	39.2	36	7	19.4	161	56	34.8
9	211	30	14.2	61	6	9.8	272	36	13.2
10	424	65	15.3	102	14	13.7	526	79	15.0
METRO AREA COUNTIES									
Hennepin	1,311	313	23.9	138	25	18.1	1,449	338	23.3
Ramsey	662	159	24.0	143	21	14.7	805	180	22.3
Other	513	70	13.6	105	11	10.5	618	81	13.1
Total	4,978	998	20.0%	1,258	163	13.0%	6,236	1,161	18.6%

Source: Program Evaluation Division analysis of AFDC approved recipients during August-November 1986.

Table 2.2 presents data on movers by state of origin for four states bordering Minnesota as well as six other states. The single biggest state of origin was Illinois. More than one-fourth of the movers were from the bordering states while slightly fewer came from four western and southern states.

Many of the recent movers (58 percent) had previously lived in Minnesota, although many fewer of the migrants from Illinois and Indiana are returnees. The proportion is higher for migrants from several states in the South and West. This may reflect a trend to return by Minnesotans who moved to those states in search of economic opportunities that have since disappeared. It may also support anecdotal accounts that we heard from county officials that some of the movers have recently divorced or separated and have returned to Minnesota to be near family and friends.

In eight of the states shown in Table 2.2, the AFDC monthly grants are lower than in Minnesota. Two states, California and Wisconsin, offer higher grants. While 1 of 4 recent migrants came to Minnesota from states where the AFDC grant was less than half of that in Minnesota, about 1 of 6 came from states where the AFDC grant was as high or higher.

Applicants were asked when they had last worked. In seven of the ten states in Table 2.2, half of the applicants had worked within the last three months. Most migrants from Wisconsin, Illinois, and Indiana have not worked within the last year and were receiving AFDC before moving.

Table 2.3 shows where migrants from the ten states moved within Minnesota. As might be expected, most of the movement from the border states was to nearby counties in Minnesota or to the Twin Cities metropolitan area. More than half of all migrants moved into the seven-county metropolitan area. As the table shows, most of the migrants from Illinois and Indiana moved to Hennepin County. Many migrants from Texas, who may have been the families of seasonal workers, were approved for benefits in region 4 (the Red River valley) and region 6E (the Minnesota River valley).[10]

We applied the criteria used in the Michigan study to identify migrants who are likely to have moved to Minnesota because of this state's AFDC grants. We found:

- 6.4 percent of all new AFDC households between August and November may have moved because of Minnesota's benefits.

As shown in Table 2.4, 397 of the 1,161 migrants had never lived in Minnesota, had moved from states paying lower benefits, and applied for benefits within 13 weeks of moving. This number is 6.4 percent of the 6,236 new openings between August and November. As shown in the table, about 40 percent of those meeting the three criteria moved to Hennepin County. The largest number of "high probability" households came from Illinois.

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[10]During July, 21 other households came from Texas to Regions 4 and 6E.

TABLE 2.2

CHARACTERISTICS OF NEW AFDC RECIPIENTS RECENTLY MOVED FROM SELECTED STATES

	Number of Movers	Percent Previously Lived in Minnesota	Median Number of Weeks Since Moving	Median Number of Months Since Worked	Percent Who Never Worked	Percent Receiving AFDC Before Moving	AFDC Monthly Grant, Family of Three[1]
BORDER STATES							
Iowa	65	52.0%	2	3	15.4%	62.0%	$360
North Dakota	95	61.0	4	4	18.9	49.0	371
South Dakota	61	51.0	2	3	29.5	56.0	329
Wisconsin	92	67.0	2	12	15.2	77.0	544
OTHER MIDWEST							
Illinois	114	33.0	1	14	33.3	74.0	341
Indiana	47	17.0	1	24	36.2	60.0	256
OTHER							
Arizona	34	91.0	3	1	5.9	32.0	233
California	86	67.0	2	3	17.4	50.0	587
Colorado	42	71.0	2	2	7.1	36.0	346
Texas	93	66.0	3	1	17.2	23.0	184
ALL STATES	1,162	57.6	2	2	18.7%	48.0%	

Source: Program Evaluation Division analysis of AFDC recipients approved during August-November 1986.

[1]Minnesota grant for family of three is $528. Grant levels based on U.S. Department of Health and Human Services, Characteristics of State Plans for AFDC, 1986.

TABLE 2.3

NEW AFDC RECIPIENTS RECENTLY MOVED FROM SELECTED STATES

Region	From Outside Minnesota	From: Iowa	North Dakota	South Dakota	Wisconsin	Illinois	Indiana	Arizona	California	Colorado	Texas
1	49	0	27	0	1	2	0	0	1	0	6
2	26	1	1	0	2	1	0	1	3	0	1
3	103	1	4	1	9	5	2	3	7	8	11
4	91	1	42	4	2	0	0	0	2	1	17
5	38	1	3	1	1	1	0	6	5	3	1
6E	26	1	0	2	0	1	0	0	3	0	12
6W	11	1	0	6	0	0	0	0	0	0	2
7E	22	0	1	1	2	1	0	1	4	3	1
7W	26	1	0	1	3	2	0	3	6	1	1
8	56	10	3	22	0	0	0	0	3	4	2
9	36	6	2	3	1	2	0	1	2	1	3
10	79	11	1	1	16	3	2	2	3	5	6
METRO AREA COUNTIES											
Hennepin	338	19	1	13	23	64	32	6	29	7	11
Ramsey	180	5	6	3	23	31	9	4	14	7	11
Other	81	7	4	3	9	1	2	7	4	2	8
Total	1,162	65	95	61	92	114	47	34	86	42	93

Source: Program Evaluation Division analysis of AFDC recipients approved during August-November 1986.

TABLE 2.4

CHARACTERISTICS OF NEW AFDC RECIPIENTS
RECENTLY MOVED INTO MINNESOTA

By Region

Region	Number of Movers	Never Lived in Minnesota	Applied Within 13 Weeks of Moving	Moved From State With Lower Benefit	May Have Moved For Minnesota's AFDC Benefits
1	49	25	48	43	22
2	26	4	24	19	4
3	103	26	96	78	18
4	91	30	87	83	28
5	38	10	37	30	7
6E	26	11	25	21	10
6W	11	4	11	11	4
7E	22	6	20	15	3
7W	26	8	25	15	5
8	56	22	54	51	20
9	36	6	35	29	5
10	79	28	73	54	19
METRO AREA COUNTIES					
Hennepin	338	195	331	268	164
Ramsey	180	89	177	134	66
Other	81	28	76	63	22
Total	1,162	492	1,118	913	397

Source: Program Evaluation Division analysis of AFDC recipients approved during August-November 1986.

We think 6.4 percent is a moderate estimate of the rate of welfare migration. Based on recipients' responses to questions about motivation, the Wisconsin study cited above concluded that the proportion was much smaller. On the other hand, we would have made a higher estimate if we had not eliminated former Minnesotans, a group that might be likely to know about Minnesota's AFDC benefit levels.

What about Minnesota's AFDC Unemployed Parent caseload, which has grown rapidly in the past five years? Many migrant households come from states with lower benefits and no AFDC Unemployed Parent program. However, we found:

- The availability of Minnesota's AFDC Unemployed Parent program does not seem to be an important attraction to families moving to Minnesota.

Ten of the 97 families who moved from North Dakota and South Dakota to nearby Minnesota counties qualified for the AFDC Unemployed Parent program; five of the ten met the three criteria. Similarly, only nine of the 161 households moving from two other states without AFDC Unemployed Parent programs--Illinois and Indiana--entered Minnesota's program.

2. OUTMIGRATION OF LOW-INCOME FAMILIES

While some welfare recipients are moving into Minnesota, others are moving out. Although it is difficult to measure this movement, we found several indicators of its extent. First, a significant proportion of households exiting Minnesota's AFDC caseload leave for other states. Between August and November of 1986, the Department of Human Services reports that 881 (5.9 percent) of the 14,930 cases closed were due to the household leaving Minnesota. The proportion is probably even higher because nearly 30 percent of case closings were due to the household "dropping out" by not returning required income reports or completing eligibility reviews. The "dropout" group probably includes additional families that left the state.

Second, we know that low-income families are moving to nearby states and applying for AFDC. The Wisconsin study cited earlier found that 445 households coming from Minnesota were approved for AFDC benefits in Wisconsin in four months between September 1985 and June 1986. For most of them (300), it was their first time living in Wisconsin.

Third, we tried to measure the outflow in certain border counties. County social service agencies in five counties bordering Minnesota agreed to survey their new AFDC applicants to determine if they were new to those states. We eventually received surveys or other information from county agencies in Fargo, Grand Forks, and Wahpeton, North Dakota, Mason City, Iowa, and La Crosse, Wisconsin.

Between July and November 1986, 23 families who had recently left Minnesota applied for AFDC benefits in Cass County (Fargo), North Dakota. By comparison, 36 families who had recently left North Dakota were approved for benefits in Clay County (Moorhead), Minnesota. This difference is not surprising in light of the difference in population in the two counties. Cass County's population is nearly twice as large as Clay County's. Eight families from Minnesota applied for benefits in Grand Forks, and two families from Minnesota applied for benefits in Richland County (Wahpeton), North Dakota. Five families from Minnesota applied for benefits in La Crosse County, Wisconsin. Officials in Cerro Gordo County (Mason City), Iowa, reported no movers in the first two months.

We concluded:

- The number of AFDC households leaving Minnesota is comparable to the number entering the state.

While we could not precisely measure the movement of AFDC recipients from Minnesota, we think that it is significant and probably is at least equal to the total number of new AFDC households moving into the state. On a statewide basis, we think that movement in and out of the state does not result in a significant net loss or gain for Minnesota's AFDC caseload.

3. BORDER ISSUES

The issue of welfare migration is particularly visible in certain Minnesota counties which border North Dakota and South Dakota. First, grant levels in both states are much lower than in Minnesota. Furthermore, neither state offers an AFDC Unemployed Parent program, so families with two adults cannot usually receive AFDC benefits. In addition, while per capita utilization of AFDC is lower in Minnesota's border counties than in other parts of Minnesota, caseloads have grown faster there than in other parts of the state. Finally, about 40 percent of the people in those two states live within a short distance of cities in Minnesota.

We found that 69 families moved from North Dakota to nearby Minnesota counties and 28 families moved from South Dakota to counties in southwestern Minnesota. Using the three criteria discussed above, 28 of the 69 families from North Dakota and 12 of the 28 families from South Dakota may have moved because of Minnesota's higher benefits.

What impact does this have on Minnesota's AFDC caseload? Possible "welfare migrants" make up a larger than average proportion of the new AFDC cases in those regions of the state, although the difference is not large. But the impact of welfare migrants on AFDC caseloads may be more significant in certain counties than in the state as a whole or in border regions. For example, 15 of the 22 families approved for benefits in Pipestone County came from other states, and seven of them met the criteria for possibly having moved to Minnesota because of AFDC grants. This represents a potential increase of seven percent in Pipestone County's AFDC caseload in just four months.

4. MOVEMENT WITHIN MINNESOTA

We also asked counties to survey households which had recently moved within the state of Minnesota. As shown in Table 2.5, much of the movement occurs within regions. Of 457 households leaving counties in the metro area, two-thirds moved to another county in the metro area.

TABLE 2.5

MOVEMENT OF RECENTLY APPROVED AFDC RECIPIENTS WITHIN MINNESOTA

To Region	From Region													
	11	1	2	3	4	5	6E	6W	7E	7W	8	9	10	Total
11	301	2	13	15	8	11	4	2	21	12	1	6	19	415
1	7	33	8	7	6	3	1	0	0	1	0	0	2	68
2	22	8	16	9	4	5	0	0	0	2	0	1	0	67
3	26	1	3	40	2	6	0	0	4	4	0	1	1	88
4	1	6	3	0	27	7	2	1	0	4	1	2	2	56
5	14	2	3	8	5	25	1	0	1	4	2	2	1	68
6E	4	1	0	1	3	1	3	1	0	3	3	1	0	21
6W	3	0	0	0	3	0	2	5	1	1	3	0	1	19
7E	26	0	0	6	0	4	0	0	18	7	0	1	1	63
7W	27	1	0	2	2	2	2	2	4	36	0	2	2	82
8	11	0	0	1	0	1	4	3	0	0	23	6	0	49
9	6	0	0	1	0	2	1	0	0	0	3	14	8	35
10	9	0	0	1	2	2	2	0	3	0	0	8	46	73
Total	457	54	46	91	62	69	22	14	52	74	36	44	83	1,104

Source: Program Evaluation Division analysis of AFDC recipients approved during August-November 1986.

Much of the movement is due to AFDC recipients transferring from one county to another. According to the Department of Human Services, approximately 1,500 AFDC recipient households transferred from one county to another in the state between August and November. However, some of those moving within the state were not previously receiving AFDC grants. Based on the surveys we received, we estimate that one-fourth of the movers within the state were not previously receiving benefits.

D. CONCLUSIONS

We conclude that the impact of welfare migrants on the size of Minnesota's AFDC caseload is small. While the number of households that may have been attracted by Minnesota's welfare benefits is not small, it seems to be matched by AFDC recipients leaving the state. However, welfare migration does have an impact on caseloads at the *county* level, particularly for some counties in western Minnesota.

At this point, we do not know what long-term effect migrants will have on Minnesota's program. For example, the families of migrant farm workers may leave Minnesota and its AFDC program after only a few months. Further study is required to determine whether these households will have a significant impact on AFDC expenditures in the future. We hope to work with the Department of Human Services to perform such a study for use by the Legislature.

Minnesota Birth and Divorce Trends

Chapter 3

Birth and divorce trends have a significant influence on the size and nature of AFDC caseloads. According to a national study, 75 percent of women's stays on AFDC began with the onset of single parenthood. In contrast, declines in income caused only about 16 percent of these AFDC stays.[1]

Because of their importance to welfare issues, birth and divorce trends in Minnesota are examined in this chapter. In particular, knowing the trends in single parenthood may help the Legislature develop appropriate AFDC reform measures. For example, before the Legislature considers proposals to target services to certain AFDC subgroups, it should know whether the population of those subgroups is shrinking or growing. The 1986 Minnesota Welfare Reform Commission proposed targeting AFDC case management services toward recipients under the age of 22, believing that teenage mothers are likely long-term AFDC recipients. Other people suggest targeting never-married women, based on research findings that marital status is the best predictor of long-term AFDC dependence.[2]

Birth and divorce rates are also of interest because of speculation that AFDC benefits encourage the formation of single-parent families. Chapter 6 reviews AFDC's effects on recipient behavior.

A. OUT-OF-WEDLOCK BIRTHS

About 51 percent of all single-parent AFDC cases in Minnesota result from out-of-wedlock births, rather than divorces or separations. The number of cases resulting from out-of-wedlock births nearly doubled between 1974

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[1]Mary Jo Bane and David T. Ellwood, *The Dynamics of Dependence: The Routes to Self-Sufficiency*, June 1983, p. 18.

[2]Ellwood, *Targeting "Would-Be" Long-Term Recipients of AFDC*, January 1986, p. 48.

and 1980, increasing from 10,199 to 20,132.[3] Nevertheless, we found that:

- Minnesota has a lower out-of-wedlock birth rate than the nation as whole, even when differences in ethnic composition are considered.[4]

Table 3.1 shows that Minnesota's out-of-wedlock birth rate increased more slowly than the U.S. rate between 1970 and 1980. Table 3.2 shows that a much smaller portion of total 1982 births were out-of-wedlock in Minnesota than in the nation.

TABLE 3.1

CHANGES IN BIRTH RATES[a]

1970-1980

	Minnesota		U.S.	
Category	1970	1980	1970	1980
Total Births	88.4	69.7	87.9	68.4
Teen Births (ages 15-19)	43.2	38.0	68.3	53.0
Total Out-of-Wedlock Births	7.0	8.0	9.4	12.6
Total White Out-of-Wedlock Births	6.1	6.7	4.7	7.4
Out-of-Wedlock Births (ages 15-19)	13.0	16.9	20.2	25.2
Out-of-Wedlock Births (ages 20-24)	13.5	13.7	15.0	22.3
Out-of-Wedlock Births (ages 25-29)	4.1	5.6	5.9	10.1

Source: Program Evaluation Division analysis of Minnesota Department of Health data (1970, 1980), U.S. Census Bureau, *U.S. Statistical Abstract*, 1984; 1970, 1980 U.S. Census data.

[a]Rates are the number of births per 1,000 women in the relevant age category. To compute total birth rates, ages 15-44 are considered as the child-bearing years.

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[3]Minnesota Department of Human Services data regarding the "basis of deprivation" of AFDC cases.

[4]The source of all data on Minnesota births and divorces is a Program Evaluation Division analysis of records from the Minnesota Department of Health; data on population come from the U.S. Census and the Minnesota State Planning Agency.

TABLE 3.2

PERCENT OF BIRTHS THAT ARE OUT-OF-WEDLOCK
1982

	Minnesota	U.S.
Percent of All Births	12.3%	19.4%
Percent of White Births	10.3	12.1
Percent of Non-White Births	40.5	48.8

Source: Program Evaluation Division analysis of Minnesota Department of Health data (1982); U.S. Census Bureau, *U.S. Statistical Abstract*, 1986.

While Minnesota's out-of-wedlock birth trends compare favorably to those of the nation as a whole, we found that:

- The number of out-of-wedlock births in Minnesota climbed 151 percent between 1964 and 1984, totalling more than 9,000 in 1984.[5]

Figure 3.1 shows the increasing proportion of total Minnesota births represented by out-of-wedlock births, and Figure 3.2 shows these percentages for white and non-white births. Nearly half of all Minnesota non-white births are out-of-wedlock, compared to 11 percent of white births.

Recent increases in the number of non-white out-of-wedlock births in Minnesota are largely the result of a growing population of non-white Minnesota women of child-bearing age. Between 1970 and 1980, the populations of women ages 15 to 44 grew by the following percentages for Minnesota's two largest non-white groups: blacks, 61; American Indians, 82.[6]

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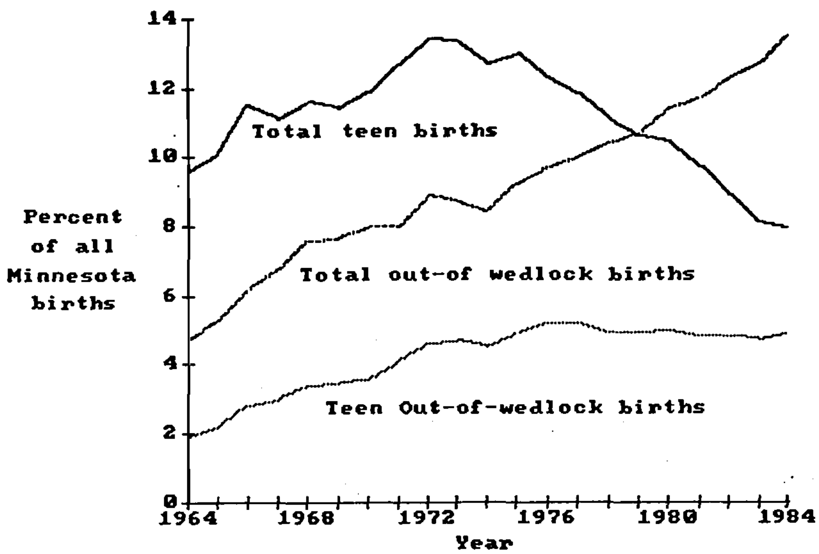
[5]White out-of-wedlock births increased 122 percent during this period, and non-white out-of-wedlock births increased 344 percent.

[6]Minnesota's number of non-white out-of-wedlock births increased from 816 in 1970 to 1,543 in 1980 (an 89 percent increase). However, the number of out-of-wedlock births per 1,000 black women only increased from 67.7 to 69.5 between 1970 and 1980; American Indian out-of-wedlock births per 1,000 women increased from 64.2 to 75.7.

FIGURE 3.1

PERCENT OF MINNESOTA BIRTHS
THAT ARE TEEN BIRTHS OR OUT-OF-WEDLOCK BIRTHS[a]



Source: Program Evaluation Division analysis of Minnesota Department of Health data.

[a]"Teen" is ages 15-19.

B. TEEN BIRTHS

Births to Minnesota women ages 15 to 19 declined 29 percent between 1964 and 1984. Table 3.1 shows the number of births per 1,000 Minnesota women in that group. We found that:

- Even when adjusting for the declining number of female teens in Minnesota, teen births declined during the 1970s.[7]

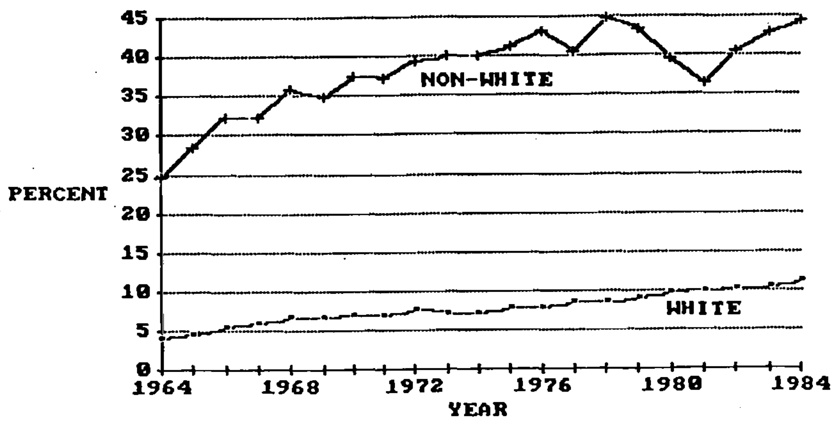
- Minnesota's overall rates of teen birth and pregnancy are among the nation's lowest, but some non-white Minnesota populations have extremely high rates of teen births.

[7]The number of births per 1,000 women ages 15-19 declined from 43.2 to 31.8 between 1970 and 1984.

FIGURE 3.2

PERCENT OF MINNESOTA WHITE AND NON-WHITE BIRTHS THAT WERE OUT-OF-WEDLOCK

1964 - 1984



Source: Program Evaluation Division analysis of Minnesota Department of Health data.

NOTE: While the proportion of non-white births that are out-of-wedlock increased in recent years (shown above), the number of births per 1,000 non-white women of child-bearing age (the "birth rate") declined. In addition, it is important to consider that non-white births represent a small proportion of Minnesota births (2.4 percent in 1970; 7.0 percent in 1980).

Among the 50 states, Minnesota's 1980 rate of teen pregnancy was the nation's second lowest, and its rate of teen birth was the seventh lowest.[8] In 1983, teen births nationally were 13.7 percent of all births, while in Minnesota they were 8.0 percent. However, the birth rates of certain population subgroups are less encouraging. Of the 34 states with black populations of 50,000 or more, Minnesota's teen birth rate among blacks was the third highest in 1980. Of Minnesota's various ethnic subgroups, American Indians have the state's highest teen birth rate.[9]

[8] Susheela Singh, "Adolescent Pregnancy in the United States: An Interstate Analysis," *Family Planning Perspectives*, September/October 1986, p. 212.

[9] Singh compares black teen birth rates by state. By our analyses of 1980 data, the birth rate among white Minnesotans ages 15-19 was 32.8 births per 1,000 women. The rate among blacks was 123.5, and the rate among American Indians was 214.8.

Within Minnesota, the Minneapolis-St. Paul metropolitan area has lower teen birth rates than the non-metropolitan counties. In 1984, there were 29.9 teen births in the seven-county metropolitan area for every 1,000 teenaged women, compared to 33.6 per 1,000 in counties outside the metropolitan area.[10]

C. THE INCREASING AGE OF MOTHERS HAVING OUT-OF-WEDLOCK BIRTHS

Welfare researchers generally agree that *young* single mothers are the single mothers most likely to enter the AFDC program. Young mothers often have fewer work skills and less education than other mothers, so they may be less job-ready. Moreover, young mothers are less likely than older mothers to receive child support payments from fathers.

We looked at Minnesota birth trends and found that the average age of women having out-of-wedlock births showed a steady increase in recent years. Figure 3.3 shows the percentage of out-of-wedlock births to women of various age groups in 1971 and 1984. Teen mothers today have about 35 percent of Minnesota's out-of-wedlock births, compared to 50 percent in 1971. The increase in average age has occurred primarily because the number of teenage women in the state has declined, as well as because more never-married women past their teens are having children.

Teen out-of-wedlock births remain a cause for concern in Minnesota. Minnesota's teen out-of-wedlock birth rate increased significantly in recent years, and the majority of Minnesota teen births now occur out-of-wedlock.[11] But because the currently declining number of Minnesota teenagers partly offsets the increasing rates of out-of-wedlock births, we doubt that teen out-of-wedlock birth trends will cause dramatic changes in AFDC caseloads in the near future.

Overall, we concluded that:

- The out-of-wedlock birth trend that might most affect the composition of Minnesota's AFDC caseload is the older ages at which Minnesota women are bearing children out-of-wedlock.

Between 1979 and 1984, Minnesota's annual number of out-of-wedlock births among non-teens doubled. Later in this chapter, we show that this trend toward an older population of single mothers will continue in the near future, and we discuss possible implications for the AFDC caseload.

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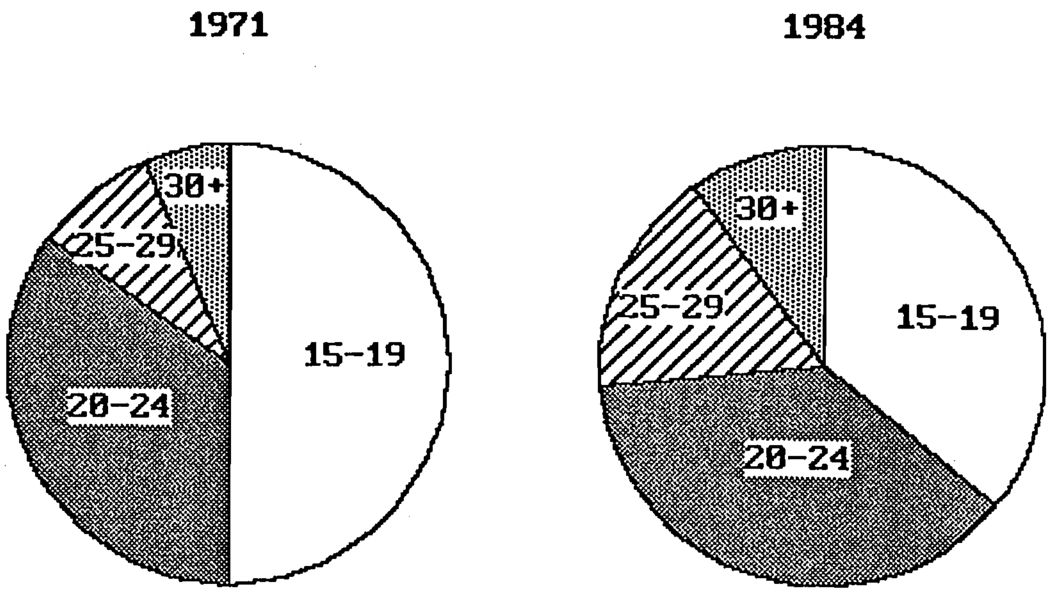
[10]Minnesota Department of Health data for women ages 15-19.

[11]In 1984, 58 percent of Minnesota white teen births occurred out-of-wedlock, compared to 82 percent of non-white teen births. The total number of teen out-of-wedlock births has not changed much in the past few years.

FIGURE 3.3

PROPORTION OF MINNESOTA OUT-OF-WEDLOCK BIRTHS
TO WOMEN OF VARIOUS AGES



Source: Program Evaluation Division analysis of Department of Health data.

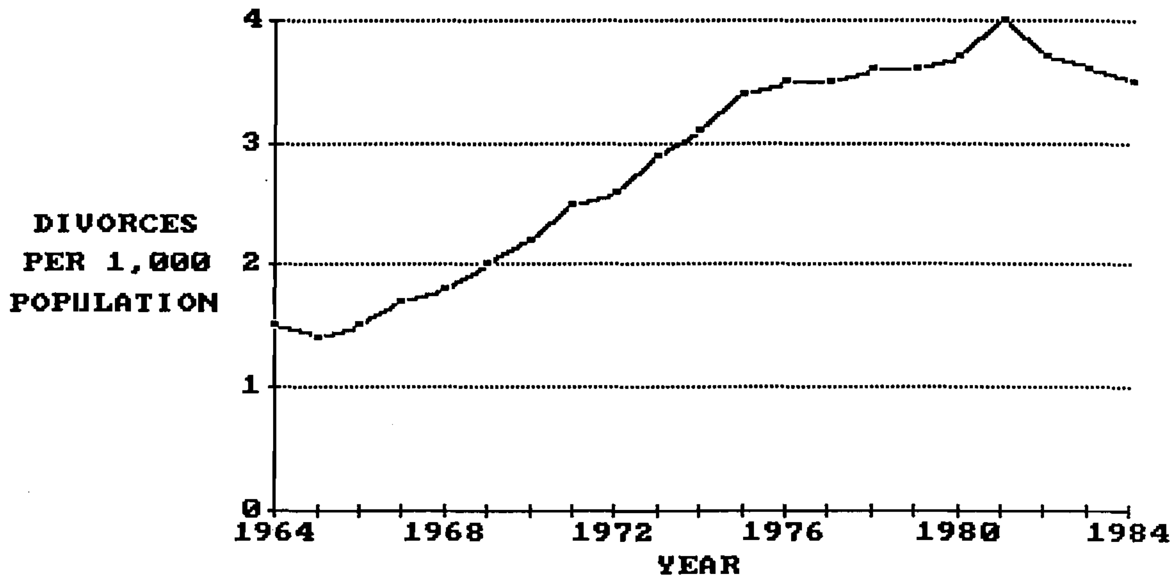
D. DIVORCES

The number of Minnesota divorces rose from 4,900 in 1965 to a peak of over 16,000 in 1981. Since 1981, the number of divorces has declined, totalling 14,758 in 1984. Figure 3.4 shows the divorce rate per 1,000 population for 1964 to 1984.

As noted earlier, the age at which women enter single parenthood is one indication of their employability, since very young mothers often have poor educations and work histories. The most noteworthy divorce trend is the rising age of women getting divorces. Despite a 55 percent increase in the number of Minnesota divorces between 1971 and 1984, the number of women under age 25 getting divorces declined, partly reflecting the older ages at which people have been marrying. In contrast, the number of divorces to women ages 30-44 doubled during this time. Among women under age 30, only women in the 25-29 age group experienced increases in divorce rates since 1971.

FIGURE 3.4

MINNESOTA DIVORCE RATE
1964 - 1984[a]



Source: 1971-1984 divorce data are from the Minnesota Department of Health; population estimates for this period are from the Minnesota State Planning Agency. Divorce rates prior to 1971 are from National Center for Health Statistics, Vital Statistics of the U.S., 1965-1971.

[a]"Divorces" include divorces and annulments.

E. SUMMARY AND ISSUES

Our review of state and national data on births and divorces led us to the following conclusions:

- In general, Minnesota birth and divorce patterns reflect the national patterns of recent years. However, Minnesota has lower rates of teen pregnancy, out-of-wedlock births, and divorce than the nation as a whole. Differences in state and national ethnic composition explain much, but not all, of the birth rate differences. Minnesota, like the nation as a whole, exhibits considerable differences between rates of white and non-white births, and Minnesota's rate of non-white teen births is especially high.

- Minnesota's total birth rate and teen birth rate are decreasing, but out-of-wedlock birth rates are increasing.

- The average age of mothers having out-of-wedlock births is increasing, and the average age of women getting divorces is rising. In part, this reflects declining populations of young women and the later ages at which people now marry. But it also reflects increases in the divorce and out-of-wedlock birth rates of women past their teens.

- Large increases in the number of non-white Minnesota women of child-bearing age contributed to recent increases in non-white out-of-wedlock births. Out-of-wedlock birth rates among various ethnic groups have not changed dramatically.

The increasing age of new single parents will likely continue in the future, primarily because of overall population trends. For example, projected declines in the number of Minnesota teens will probably offset the increasing rate of out-of-wedlock births among this age group in the near future (see Table 3.3).[12]

Similar projections for divorces indicate growing numbers of divorced women over 30 in the near future, with fewer divorces among younger women. Table 3.4 applies 1980 divorce rates to projected 1990 female populations.

TABLE 3.3

PROJECTED NUMBER OF OUT-OF-WEDLOCK BIRTHS IN MINNESOTA

1990

Age of Woman	1980 Out-of-Wedlock Births	1980 Out-of-Wedlock Births Per 1,000 Women in Age Group	1990 Female Population	1990 Out-of-Wedlock Births
15-19	3,354	16.85	138,254	2,330
20-24	2,801	13.73	163,162	2,240
25-29	1,033	5.57	196,795	1,096
	7,188			5,666

Source: The birth statistics are from a Program Evaluation Division analysis of Minnesota Department of Health data. The population projections are those of the Minnesota State Planning Agency.

[12]State Demographer's Office, *Minnesota Population Projections 1980-2010*, May 1983. The number of women ages 15-19 is projected to decline 30 percent between 1980 and 1990. In the year 2000, projections show that there will be 12 percent fewer women ages 15-19 than in 1980.

TABLE 3.4

PROJECTED NUMBER OF DIVORCES IN MINNESOTA

1990

Age of Woman	1980 Divorces	1980 Divorces Per 1,000 Women in Age Group	1990 Female Population	1990 Divorces
15-19	287	1.44	138,254	199
20-24	2,954	14.47	163,162	2,360
25-29	3,595	19.37	196,795	3,812
30-34	2,694	17.19	201,688	3,467
35-39	1,790	14.33	184,529	2,644
40-44	1,061	10.34	155,143	1,604
	12,381			14,086

Source: Divorce statistics are from a Program Evaluation Division analysis of Minnesota Department of Health data. The population projections are those of the Minnesota State Planning Agency.

These are rough projections, particularly since they assume stability in the 1980 rates of out-of-wedlock birth and divorce.[13] However, the general trend toward an older population of single mothers seems quite apparent, regardless of the accuracy of projections for specific age groups. This indicates that women entering single parenthood in the near future will probably be more job-ready than new single parents of years past.

In addition, the projections show that, barring dramatic increases in divorce and out-of-wedlock birth rates, there will not be a large rise in the total number of new single parents in the near future. Thus, we can project that current population trends, birth rates, and divorce rates will probably not cause AFDC caseloads to grow noticeably. There are, of course, other factors that affect participation rates in AFDC. The availability of jobs and single mothers' attitudes toward AFDC will influence the size of future caseloads, but it is difficult to predict changes in these factors.

[13]There is some question about this stability, since the state's number of out-of-wedlock births grew 16 percent between 1980 and 1984.

Poverty Trends and AFDC Grant Levels

Chapter 4

The AFDC program is designed to give money to poor families so that they can maintain a minimum standard of living. However, there is wide disagreement about how much money should be given. Some policy analysts and advocates for the poor argue that the amount should be generous, so that the poor can live in dignity and good health. Others argue that an overly generous welfare system stifles initiative, fosters dependency, and possibly even increases poverty.

The debate about the appropriate size of AFDC grants has intensified nationally and in Minnesota in recent years. In this section, we discuss the debate, review recent trends in Minnesota's grant levels and poverty rates, and compare Minnesota poverty rates to those of surrounding states.

A. THE NATIONAL DEBATE: LOSING OR GAINING GROUND?

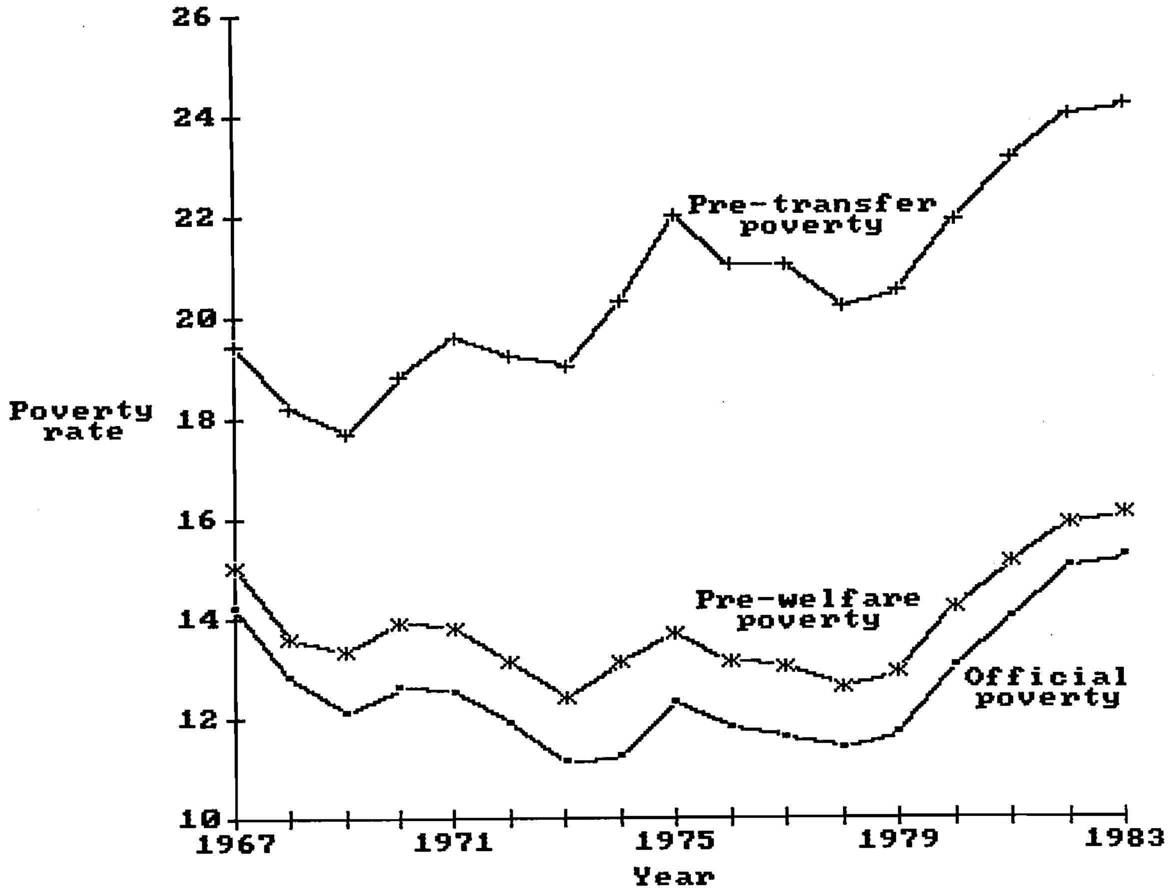
There is a long history of concern that welfare payments may hurt some recipients more than they help. Although American welfare spending increased dramatically in the past 20 years, total poverty rates have not declined. As shown in Figure 4.1, the official U.S. poverty rate reached its low point in 1973 (11.1 percent), but it rose to 15 percent in 1983.

Sociologist Charles Murray is the most notable recent spokesperson of the view that welfare payments cause poverty. In his 1984 book, *Losing Ground*,[1] he argues that, despite good intentions, welfare programs have not reduced the need of people to rely on government for income. For evidence, he cites the "latent poverty rate," which is the percentage of

[1]Murray also expresses his views in the following articles: "Have the Poor Been 'Losing Ground'?," *Political Science Quarterly*, Fall 1985; "The Great Society: An Exchange," *The New Republic*, April 8, 1985; "Saving the Underclass," *The Washington Monthly*, September 1985; "Losing Ground Two Years Later," *Cato Journal*, Spring/Summer 1986.

FIGURE 4.1

VARIOUS MEASURES OF U.S. POVERTY
1967 - 1983[a]



Source: Official poverty rates are from Money Income and Poverty Status of Families and Persons in the U.S.: 1983; other poverty rates are computations by Sheldon H. Danziger, Robert H. Haveman, and Robert D. Plotnick in "Anti-Poverty Policy: Effects on the Poor and the Nonpoor," Fighting Poverty (eds. Danziger and Daniel H. Weinberg), 1986, p. 54.

[a]"Official poverty" rates reflect all personal income, including cash welfare payments. Adding non-cash welfare income would lower the official rates by about 3 percent in 1967 and 5 to 6 percent in recent years.

"Pre-welfare poverty" rates reflect all income except cash public assistance, such as AFDC and Supplemental Security Income. Pre-welfare income includes Social Security and Unemployment Insurance.

"Pre-transfer poverty" (or "latent poverty") rates reflect all income except for public income assistance payments. Each of these rates reflects pre-tax income.

people who are poor prior to their receipt of government assistance payments. The U.S. latent poverty rate increased from 17.7 percent in 1969 to 24.2 percent in 1983. Nine percent of Americans relied on assistance payments to live above the poverty level in 1983, compared to four percent in 1965.[2]

Murray acknowledges that demographic changes, such as the influx of women and baby-boom children into the economy, affected poverty somewhat in recent years. However, he thinks that attitudinal changes among the poor caused most of the increased poverty. He suggests that changes in welfare rules and benefit levels made welfare more attractive, and poor people more frequently chose to receive welfare payments rather than work for low wages. Murray does not believe that the economy induced the poverty increases, noting that the nation's gross national product grew steadily during the 1970s.

These plausible theses remain largely untested and unproven by social science research, and there are equally plausible explanations of recent poverty trends by other researchers. For example, many researchers refute the contention that economic factors have little effect on poverty. While it is true that the U.S. experienced economic growth during the 1970s and 1980s, unemployment and inflation clearly made some people worse off. The national poverty rates closely parallel trends in real median income, which in 1980 was no higher than it was in 1969.[3] A recent analysis suggests that economic conditions explained more than half of the poverty increase that occurred between 1978 and 1983.[4] Past mismeasurement of official poverty may also explain some recent trends in the rates. When one researcher adjusted pre-1983 poverty rates for a federal government measurement error, he concluded that "poverty looks a little more like an economic problem, a little less like a social problem."[5]

Public expenditures for "income transfer programs," such as AFDC and Social Security, grew rapidly in the past 25 years. However, it appears that the programs have helped women with children less than other population subgroups in recent years. In 1983, women with children under age six constituted 7.6 percent of Americans in poverty prior to income assistance; they constituted 12.5 percent of Americans in poverty after

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[2]Sheldon Danziger and Peter Gottshalk, "The Poverty of 'Losing Ground'," *Challenge*, May-June 1985, p. 34.

[3]David T. Ellwood and Lawrence H. Summers, "Poverty in America: Is Welfare the Answer or the Problem?," *Fighting Poverty: What Works and What Doesn't*, ed. Sheldon H. Danziger and Daniel H. Weinberg, 1986, p. 82.

[4]Sheldon H. Danziger, Robert H. Haveman, and Robert Plotnick, "Antipoverty Policy: Effects on the Poor and the Nonpoor," in *ibid.*, pp. 68-69.

[5]John C. Weicher, "How Poverty is Mismeasured," *The Wall Street Journal*, January 23, 1986, p. 114.5.

income assistance.[6] They thus remained in poverty while income assistance moved others, such as the elderly, out of poverty.[7]

Although the non-elderly poor seem to have lost some ground in the battle against poverty, the role of welfare in this trend remains unclear. From our review of the recent debate, we found one important area of agreement and one important disagreement:

- Both sides agree that there has been little progress against poverty if progress means eliminating the need for public assistance to raise people's incomes above the poverty level. The number of people who are poor prior to income assistance reached extremely high levels in recent years, and more than one-third of these people rely on public assistance to attain incomes above the poverty level.

- There is disagreement about whether poverty is more an economic or a social problem. If it is primarily an economic problem, higher welfare payments or a better economy can help. If it is mainly a social problem, changes in poverty rates occur when welfare recipients' behaviors and attitudes change. Of course, there are those who argue that poverty is both an economic and a social problem, but the debate heard most often is between people at opposite ends of the spectrum.

B. MINNESOTA POVERTY TRENDS

1. WELFARE'S EFFECT ON MINNESOTA POVERTY RATES

The principal reason that a state offers high AFDC grants is to give families a decent standard of living. We analyzed census data for Minnesota and its four surrounding states to see how often AFDC raises people's incomes above the official poverty level. Table 4.1 shows this rate for female household heads who received income from public assistance in 1979.[8] The results are not surprising:

- Welfare payments in the two states paying high AFDC benefits (Minnesota and Wisconsin) helped about 29 percent of below-poverty, single female householders on public assistance to have incomes above the poverty level in 1979. This percentage was higher than those of the lower-benefit states.

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[6]Danziger, Haveman, and Plotnick, *op. cit.*, p. 60.

[7]*Ibid*, p. 66. The percentage of white women with children removed from poverty by income transfers declined from 30.1 in 1965 to 21.8 in 1978 to 13.8 in 1983.

[8]Note that "public assistance" includes AFDC, General Assistance, and Supplemental Security Income programs. AFDC is the most commonly used public assistance program among female household heads.

TABLE 4.1

PERCENT OF BELOW-POVERTY, SINGLE, FEMALE HOUSEHOLD HEADS ON PUBLIC ASSISTANCE WHOSE INCOMES WERE RAISED ABOVE THE POVERTY LEVEL BY THAT ASSISTANCE[a]

1979

State	Percent
Minnesota	29.1%
Wisconsin	29.1
South Dakota	16.7
North Dakota	20.3
Iowa	25.2

Source: 1980 U.S. Census.

[a]"Public assistance" includes AFDC, General Assistance, and Supplemental Security Income programs. It does not include Social Security income.

As we discuss later, AFDC payments by themselves do not raise recipients' incomes above the poverty level. Thus, AFDC recipients with incomes above the poverty level must have sources of income (earned or unearned) other than AFDC. More recent data from the 1985 Current Population Survey indicate that:

- The 1985 Minnesota family poverty rate would be at least 50 percent higher without public assistance.[9]

The sample size leaves some room for error, but the results seem to confirm that welfare payments raise the incomes of significant numbers of people above the poverty level.[10]

A shortcoming of this analysis is that we do not know for certain what the poverty rate would be in the absence of welfare payments. We calculated

[9]In this case, "public assistance" includes only AFDC and General Assistance, not Supplemental Security Income.

[10]The 1985 poverty rate before welfare payments was 14.7 percent; following welfare payments, the rate was 7.2 percent. The 90 percent confidence interval for the pre-welfare poverty rate ranges from 12.9 to 16.5 percent. The 90 percent confidence interval for the post-welfare poverty rate ranges from 5.9 to 8.5 percent.

"pre-welfare" poverty rates by subtracting individuals' annual welfare income from their total annual income. However, it is possible, as Murray argues, that some people would lift themselves out of poverty in the absence of an AFDC program. To the extent that this is true, our estimates overstate the anti-poverty effects of AFDC.

2. MINNESOTA POVERTY RATES, 1970-1980

To determine how Minnesota residents fared during a time when some observers think the nation lost ground against poverty, we examined 1970 and 1980 census data for various population subgroups.[11] As a benchmark, we compared Minnesota poverty trends with those of surrounding states. In contrast to the data cited above, the results cited in this section do not necessarily tell us about the anti-poverty effects of benefit levels. It is not clear what the roles of welfare payments, the economy, and other factors were in causing these poverty trends. In general, however, 1970 was probably a better economic time for these five states than 1980.

Tables 4.2 through 4.6 show family poverty levels for various population groups:[12]

Total poverty. Minnesota's total poverty rates in 1970 and 1980 were low in comparison to surrounding states and the nation as a whole. Among the five states, Minnesota experienced an average decrease in poverty between 1970 and 1980. (See Table 4.2.)

Poverty among female-headed families. In 1970 and 1980, a smaller proportion of Minnesota families were female-headed and in poverty than for the nation as a whole. Among female-headed families, poverty was less common in Minnesota than in other states. (See Tables 4.3 and 4.4)

Poverty among female family heads with young children. Minnesota's rates of poverty among women with children under the ages of 18, as well as those with children under 6, were the lowest of the five states. (See Tables 4.5 and 4.6)

[11]Although the annual Current Population Survey provides more current poverty information, the survey's relatively small sample size precludes useful analysis of trends since 1980.

[12]The 1970 and 1980 data for "female-headed families" are not completely comparable since the Census Bureau used slightly different definitions in these two years. In 1970, the bureau reported data for "families with a female head," and in 1980, the bureau reported data for "families with a female householder, no husband present."

TABLE 4.2

PERCENT OF ALL FAMILIES
THAT HAVE INCOMES BELOW THE POVERTY LEVEL

	1970	1980	Percent Change
Minnesota	8.2%	7.0%	-14.6%
Wisconsin	7.4	6.3	-14.9
North Dakota	12.4	9.8	-21.0
South Dakota	14.8	13.1	-11.5
Iowa	8.9	7.5	-15.7
U.S.	10.7	9.6	-10.3

Source: 1970, 1980 U.S. Census.

TABLE 4.3

PERCENT OF ALL FAMILIES THAT ARE
FEMALE-HEADED AND BELOW THE POVERTY LEVEL

	1970	1980	Percent Change
Minnesota	1.9%	2.3%	+21.0%
Wisconsin	2.2	3.6	+64.0
North Dakota	2.1	2.1	--
South Dakota	2.6	3.2	+23.0
Iowa	2.0	2.4	+20.0
U.S.	3.5	4.2	+20.0

Source: 1970, 1980 U.S. Census.

TABLE 4.4

PERCENT OF ALL FEMALE-HEADED FAMILIES

THAT ARE BELOW THE POVERTY LEVEL

	1970	1980	Percent Change
Minnesota	24.0%	22.8%	- 5.0%
Wisconsin	26.2	32.6	+24.4
North Dakota	30.6	26.6	-13.1
South Dakota	33.9	34.4	+ 1.4
Iowa	27.5	25.8	- 6.2
U.S.	32.5	30.3	- 6.8

Source: 1970, 1980 U.S. Census.

TABLE 4.5

PERCENT OF ALL FEMALE-HEADED FAMILIES WITH CHILDREN UNDER SIX
THAT ARE BELOW THE POVERTY LEVEL

	1970	1980	Percent Change
Minnesota	47.4%	49.8%	+5.1%
Wisconsin	54.4	53.4	-1.8
North Dakota	57.9	54.0	-6.7
South Dakota	60.8	58.5	-3.8
Iowa	53.3	51.4	-3.6
U.S.	56.6	55.6	- 1.8

Source: 1970, 1980 U.S. Census

TABLE 4.6

PERCENT OF ALL FEMALE-HEADED FAMILIES WITH CHILDREN UNDER 18 THAT ARE BELOW THE POVERTY LEVEL

	1970	1980	Percent Change
Minnesota	34.0%	31.8%	- 4.3%
Wisconsin	38.2	35.2	- 7.9
North Dakota	42.0	37.1	-11.7
South Dakota	44.5	44.1	- 1.3
Iowa	37.9	35.5	- 6.3
U.S.	43.2	40.3	- 6.7

Source: 1970, 1980 U.S. Census.

Overall, we concluded that:

- During a period when some argue that the nation lost ground in the war on poverty, the official poverty measures suggest that Minnesota fared no worse and probably fared better than surrounding states.

An average or lower-than-average proportion of Minnesotans lived in poverty in 1970 and 1980 compared to surrounding states. Minnesota's poverty rates were significantly lower than those of the nation as a whole. Compared to surrounding states and the nation as a whole, Minnesota's rates of change in poverty rates between 1970 and 1980 usually were about average. In addition, the bordering states with low AFDC benefits typically had more families in poverty than Minnesota, although the high- and low-benefit states showed similar poverty rate trends between 1970 and 1980.

C. THE RELATIONSHIP BETWEEN ASSISTANCE GRANT LEVELS AND POVERTY LEVEL

In order to determine whether assistance programs have provided an adequate income to families who use them, we compared AFDC grant levels and food stamp benefits in Minnesota to official federal poverty guidelines for the period 1976 to 1986. Federal poverty guidelines were designed to reflect the cost of a minimally adequate standard of living for a low-income family. Because they are updated each year by the Office of Management and the Budget to reflect cost-of-living changes, the guidelines show the cost in current dollars of the same "market basket" of goods each year. Thus, a poverty level income in 1986 will provide the same standard of living as was provided by a poverty level income in 1976.[13]

We computed the AFDC grant levels and food stamp benefits for the years 1976 to 1986, for a single-parent family with two children, and we compared the grant levels to the official poverty guideline for each year. We found:

- The gap between assistance level and the poverty guideline has widened in almost every year since 1976, with the assistance falling farther and farther below the poverty line.

In the eleven years from 1976 through 1986, the poverty level for a three-person family increased 107 percent--from $4,414 to $9,120. At the same time, the net food stamp grant increased 134 percent, from $420 to $984, while the AFDC benefit increased only 60 percent, from $3,960 to $6,336.

As Figure 4.2 shows, in 1976 AFDC and food stamps combined totalled over 99 percent of a poverty-level income. By 1986, the combination of AFDC grant and food stamps was 80.3 percent of a poverty-level income, the lowest amount in the eleven-year period.

We calculated the percentage of a poverty-level income provided by each of the assistance programs separately. As Table 4.7 shows, we found that:

- In 1976 food stamps amounted to almost 10 percent of poverty level, and AFDC benefits were close to 90 percent. In contrast, in 1986 food stamps were just under 11 percent of poverty level, but the proportion of a poverty-level income provided by the AFDC grant had fallen to less than 70 percent.

AFDC grants in Minnesota have not kept pace with inflation. If the grant had increased each year by the same amount as the poverty guidelines, a single-parent family with two children would be eligible for a grant of $8,180 in 1986, as well as $431 in food stamps. The total of $8,611 is slightly less than 95 percent of the 1986 poverty level income of $9,120. Thus, even if the AFDC grant were 30 percent higher than it is, the family would still receive an income lower than the official poverty level.

Our comparison between assistance and the poverty level illustrates the economic component of poverty. Increased welfare spending has not led to decreases in poverty of the magnitude which might have been expected.

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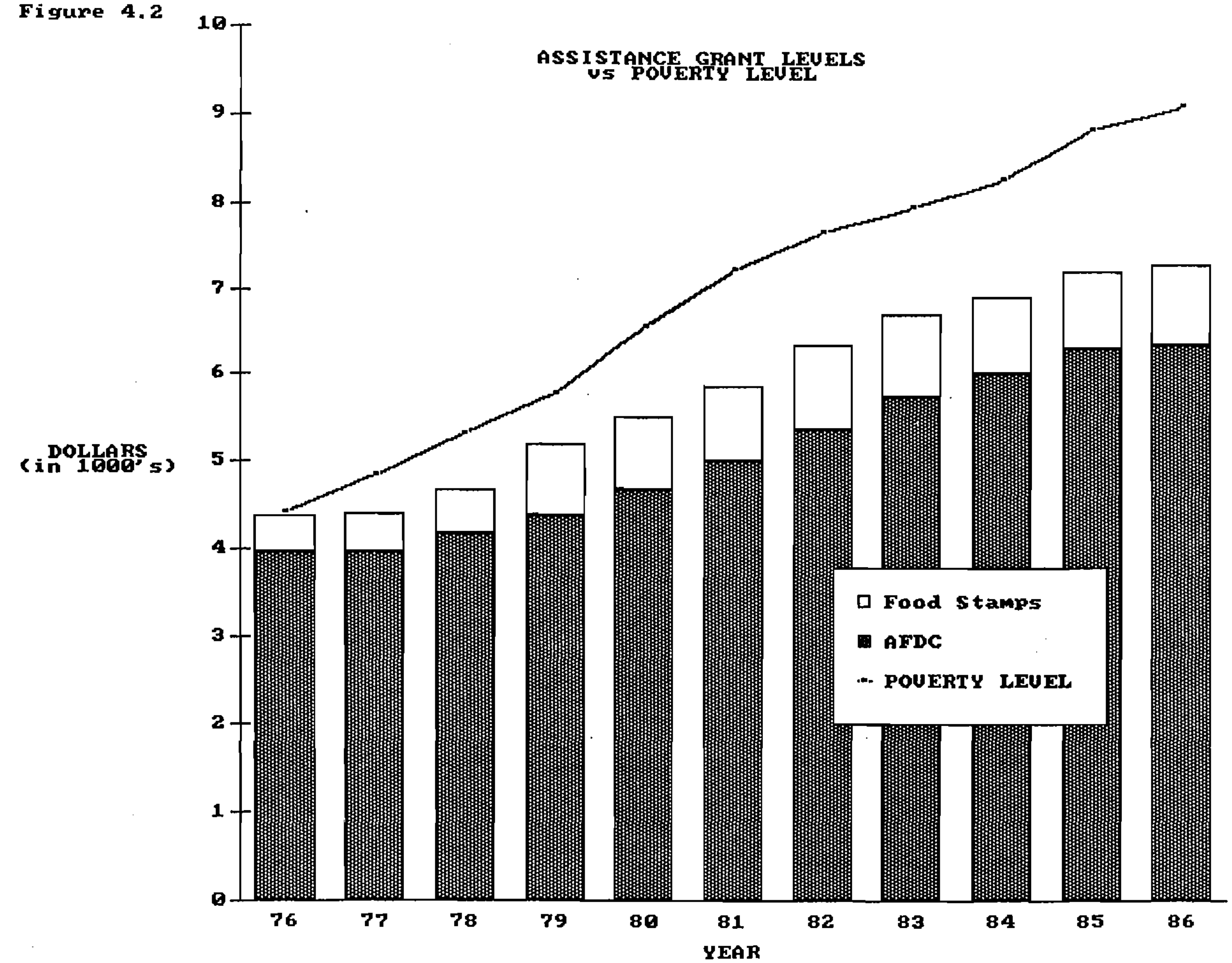
[13]The federal poverty guidelines may be inadequate because they are based on a food standard, the U. S. Department of Agriculture's Thrifty Food Plan, which was originally intended only as a temporary or emergency plan, and because they assume that this food plan should comprise one-third of a poor household's budget. The originator of the poverty guidelines has since suggested using a one-to-four, rather than the current one-to-three, ratio of food to total household expenditures. This might give a more realistic picture of the actual needs of low-income households.

Figure 4.2



ASSISTANCE GRANT LEVELS
vs POVERTY LEVEL
DOLLARS
(in 1000's)
10
9
8
7
6
5
4
3
2
1
0
76
77
78
79
80
81
82
83
84
85
86
YEAR
Food Stamps
AFDC
POVERTY LEVEL

- Our analysis suggests that, to some extent, the lack of improvement may be due to the fact that increases in AFDC spending have not kept pace with increases in the cost of living.

Other factors have certainly contributed to any increase in poverty, and our findings do not rule out the possibility that social factors are an important element.

TABLE 4.7

COMPARISON BETWEEN AFDC GRANTS, FOOD STAMP BENEFITS, AND POVERTY LEVELS

1976 to 1986
Minnesota, Family of Three

Year	Poverty Level	AFDC Benefit	AFDC/ Poverty	Food Stamps	Food Stamps/ Poverty	AFDC + Food Stamps/ Poverty
1976	$4,414	$3,960	89.7%	$420	9.5%	99.2%
1977	4,833	3,960	81.9	432	8.9	90.9
1978	5,309	4,164	78.4	504	9.5	87.9
1979	5,784	4,368	75.5	809[a]	14.0	89.5
1980	6,565	4,668	71.1	826	12.6	83.7
1981	7,250	5,004	69.0	857	11.8	80.8
1982	7,693	5,352	69.6	992	12.9	82.5
1983	7,978	5,724	71.7	991	12.4	84.2
1984	8,277	6,000	72.5	908	11.0	83.5
1985	8,850	6,288	71.1	928	10.5	81.5
1986	9,120	6,336	69.5	984	10.8	80.3

Source: Federal Register, various issues, and analysis by staff of the Legislative Auditor's Office.

[a]In 1979 the food stamp program changed from a system of cash payments for coupons to a system where no cash payments were required. The figure used here is an average of the benefit amount with and without a cash payment, and may be higher than the amount actually received.

Characteristics of AFDC Recipients

Chapter 5

Many AFDC reform proposals emphasize supporting a recipient's transition from welfare to work. In this chapter, we examine the characteristics of Minnesota AFDC recipients which may affect their ability to find employment. By considering barriers to employment for recipients, the Legislature can choose strategies which match training and employment programs with those AFDC recipients who will benefit most.

Our findings in this chapter, by themselves, are not sufficient to justify targeting AFDC work programs to certain subgroups. However, when we combined them with our analysis of national research on long-term dependency (Chapter 6) and AFDC work programs (Chapter 8), we concluded that Minnesota's recipient characteristics suggest some targeting possibilities.

We asked:

- What is known about AFDC recipients' employability and their characteristics that indicate employability, such as history of participation in assistance programs, age, and household size?
- How can the recipient population be divided into subgroups with distinct needs?

In order to analyze the employability of Minnesota AFDC recipients, we constructed an "employment suitability profile." The profile classifies recipients by certain factors which, according to extensive research, affect employability. The classification focuses on recipients' deficiencies, in order to show how employment barriers might be overcome with specific assistance designed to remedy those deficiencies.

We used data from the Department of Human Services' (DHS) Quality Control sample for 1983-86. This sample--about 1,800 cases per year--is randomly selected from all households receiving an AFDC cash payment at the beginning of each month. Federal regulations require states to take quality control samples in order to check on client eligibility and to ensure correct payment amounts.

DHS expanded the data collection in 1982 to include some information ("supplemental data") that is not required by the federal government. The additional information, such as recipients' education and employment history, is not otherwise available and makes the quality control sample particularly useful. Furthermore, these data are useful in that they provide a picture of Minnesota's AFDC population after 1981, when federal legislation changed the nature of the AFDC caseload.

However, quality control data must be interpreted with care. First, the supplemental data are based solely on client interviews and are not independently verified. Second, the quality control information collected is for a point in time. The "snapshot" view provides a useful picture of the AFDC caseload, but as we explain later, this view differs somewhat from a "longitudinal" view of the caseload over time. Furthermore, some recipients refuse to answer the supplemental questions, and not all questions were asked every year. Consequently, supplemental data are available for about 10 percent fewer cases than the number for which the federally required data have been collected.

A. GENERAL CHARACTERISTICS OF THE AFDC POPULATION

The quality control data give us an accurate and detailed picture of Minnesota's AFDC population. At any given time, 54 percent of Minnesota AFDC recipients have received grant payments for less than two years. About 78 percent are white and 88 percent live in female-headed households. Most AFDC recipients use food stamps (83 percent) and slightly over one-quarter live in subsidized housing. Six percent of recipients are currently in school, and 26 percent have less than a high school education. Most do not claim the "child care disregard" (95 percent). Nearly 70 percent were born in Minnesota. About 42 percent of AFDC households contain one adult and one child, and one in four AFDC families includes children under the age of two.

We found that at least eight percent of AFDC recipients with children over age two have given birth to a child during their current stay on AFDC. The method used to make these estimates may understate the actual figures by several percentage points.[1] Of the families that have expanded, 17 percent have added more than one child.

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[1]By our calculations, a woman gave birth to a child during her current AFDC stay if the age of her youngest child (listed in Quality Control data in whole numbers) plus 1.0 year was less than the woman's accumulated time spent on AFDC. The reason for adding 1.0 is that a child listed as age "3", for example, may actually be 3.9 years old. This method may significantly understate the prevalence of on-AFDC births.

A smaller group--at least five percent of recipients with children over age two--have conceived a child during their stay on AFDC. We calculated that a recipient conceived during her current AFDC stay if the age of her youngest child plus 1.75 years was less than the woman's accumulated time spent on AFDC. Using 1.75 years compensates for the uncertainty about the child's age explained above and the nine months during which the woman is pregnant.

The quality control data indicate that 14 percent of recipients are employed.[2] Of the unemployed recipients, 76 percent report that they are not seeking employment. Little is known about them, although some are apparently in education programs. About 53 percent of unemployed recipients have been out of work for more than two years, while 18 percent have never been employed.

B. FACTORS AFFECTING EMPLOYABILITY

After reviewing previous studies, we identified seven factors which affect employability: education, employment history, age, marital status, household size, AFDC dependency, and place of residence. In this section, we analyze the employability of Minnesota's AFDC recipients using these factors.

1. EDUCATION

Studies have shown that a recipient's education affects both employment opportunities and the desire to work.[3] More years of schooling decrease the likelihood that a recipient will stay on welfare for a long time. Those with a high school diploma are the most readily employable and the most likely to respond to work programs.[4] In a 1985 longitudinal study of AFDC recipients, the Department of Human Services reported that while 75 percent of all AFDC recipients have a high school diploma or GED certificate, only 52 percent of long-term recipients have a high school diploma. More importantly, 94 percent of those who left AFDC because they found work had a high school diploma.[5]

In our analysis of Minnesota's quality control sample, we found that 26 percent of Minnesota's AFDC recipients at any given time have received less than a high school education. Thirteen percent of recipients have high school degrees and no additional training, and 41 percent of recipients have a high school degree plus additional schooling. Some recipients received college or vocational training without first obtaining a high school diploma or GED certificate.

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[2]A more detailed discussion can be found in Chapter 6.

[3]Mary Jo Bane and David T. Ellwood, *The Dynamics of Dependence: The Routes to Self-Sufficiency*, 1983, pp. 33, 47. Mildred Rein, *Work or Welfare*, 1974.

[4]Judith Mayo, *Work and Welfare*, 1975.

[5]Minnesota Department of Human Services, *Use of AFDC by Single Parents: Patterns and Factors*, March 1985.

2. EMPLOYMENT HISTORY

Employment history has been identified as a major influence on the choice between work and welfare.[6] Previous research indicates that recipients without recent work experience remain on the AFDC program longer than those with such experience. Those who have been employed within the last two years often have more work skills and more appeal to employers than recipients without recent work histories.

Almost 88 percent of Minnesota AFDC recipients have some employment experience. However, only 14 percent are currently employed. Many recipients (34 percent) were last employed more than two years ago; 12 percent have never been employed.

3. AGE

Generally, people between 20 and 35 years of age are considered to be in their prime working years. Recipients over the age of 35 often have more difficulty finding work, since many have less education and work experience than those in the 20-to-35 age group. Recipients under the age of 20 may be hindered by their lack of education and work experience, and are more likely to have very young children.

Most Minnesota AFDC recipients are between 20 and 35 years of age. Slightly over one-quarter of the recipients fall into age groups which have more difficulty finding employment: 15 percent are between 35 and 45, while 12 percent are either less than 20 or more than 45 years of age.

4. MARITAL STATUS

Having a spouse in the household can improve a welfare recipient's employability, primarily because a spouse can provide child care. When someone is available to care for children, it is easier for the recipient both to look for a job and to work. According to the quality control data, 85 percent of Minnesota AFDC households are headed by single parents.

5. HOUSEHOLD SIZE

The number of children in the household also affects the employability of AFDC Regular recipients. Social, physical, and emotional needs of children demand considerable time, especially in large families. Single mothers with several children often work fewer hours and miss work more often than other mothers.[7]

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[6] Rein, *op. cit.*; Mayo, *op. cit.*

[7] Bradley Schiller, "Empirical Studies of Welfare Dependency," *Journal of Human Resources*, Vol. 8, 1973.

From the quality control sample, we determined that 18 percent of Minnesota AFDC recipient households include four or more members. About half of the AFDC families include only one or two members.

6. AFDC DEPENDENCY

Studies indicate that people who have been on AFDC for long periods of time are less likely to leave AFDC than short-term recipients. One possible reason is that long periods of unemployment may reduce recipients' chances of finding jobs as their skills deteriorate and their confidence erodes. Long-term recipients may also have different characteristics than short-term ones.

Looking at Minnesota AFDC recipients at a point in time, we found that 36 percent have received payments for one year or less, 29 percent have received AFDC payments for one to three consecutive years, and slightly over one-third (34 percent) have received AFDC payments for more than three consecutive years.

Because the quality control information provides a "snapshot" picture of the AFDC caseload at a point in time, two cautions are appropriate. First, the percentage of long-term recipients in the caseload at a point in time is greater than the percentage of people ever using AFDC who have long-term stays. Figure 6.5 shows this for a hypothetical AFDC caseload.

Second, at a point in time, there is no way to determine how long a person will remain on AFDC. Thus, some recipients who recently started AFDC will be classified as "short-term" even though they will eventually be long-term recipients. Because of this, our analysis may overstate the number of short-term recipients.

7. PLACE OF RESIDENCE

A depressed local economy may create a serious barrier to employment for a recipient who is otherwise highly employable. Based on unemployment rates for July 1986, we grouped counties in three categories: counties where the unemployment rate is less than or equal to the average state unemployment rate of 4.9 percent, counties where the unemployment rate is greater than the state average but less than 7 percent, and counties where the employment rate is 7 percent or more (Table 5.1).

Most Minnesota AFDC recipient households (65 percent) are located in counties where the unemployment rate is less than or equal to the average state unemployment rate of 4.9 percent. Nineteen percent are in the counties with the highest unemployment rates, although only 14 percent of the state's population resides in those counties.

TABLE 5.1

PLACE OF RESIDENCE

Unemployment Rate	Number of Counties	Population	Percent of Population	% of AFDC Recipients
Less than 5%	35	2,900,807	69%	65%
5 - 6.9%	31	711,164	18	16
7% or more	21	581,002	14	19

Sources: Minnesota Department of Jobs and Training, Research and Statistics Office; Minnesota State Planning Agency.

C. OVERALL EMPLOYABILITY

From the seven factors just discussed, we chose three that we thought might strongly affect employability: employment history, education, and household size.[8] Table 5.2 shows our employability scale for each of the three characteristics.

TABLE 5.2

EMPLOYABILITY CHARACTERISTICS

Characteristic	High	Medium	Low
Employment History:	Currently Employed	Employed in Last Two Years	Never Employed
Education:	Post High School	High School Diploma	Less Than High School
Household Size:	1, 2, or 3	---	4 or More

We evaluated each recipient in the quality control sample to determine that person's overall employability. For example, a recipient who is currently employed, has received some college or vocational training, and lives in a household of three or fewer people would be more employable

[8]Bane and Ellwood, *op. cit.*, pp. 33, 47.

than other recipients. Of Minnesota's AFDC recipients, only 3 percent have all three characteristics and are thus highly employable. Therefore, we concluded that:

- Few Minnesota AFDC recipients rank "high" on each of three measures of employability. Most recipients have some characteristics which create barriers to employment.

On the other hand, only about two percent of recipients have less than a high school education, have not worked in the past two years, live in a large family (four or more members), and therefore are ranked low on all three measures.

We found that 22 percent of the recipients rank "low" in two of the three areas. About 69 percent of the recipients have a deficiency in one area--either work history, education or household size. A small number of recipients have "medium" employability according to each of the characteristics.

D. COMPARISON OF MINNESOTA'S AFDC RECIPIENT SUBGROUPS

We identified subgroups of AFDC recipients, as described in Figure 5.1, and examined their characteristics to determine what makes them unique. Understanding these similarities and differences will help the Legislature focus assistance programs on the particular needs of each group.

1. LONG-TERM AND SHORT-TERM RECIPIENTS

By our definition, long-term AFDC recipients have received AFDC benefits for eight or more consecutive years, while short-term AFDC recipients have received benefits for two consecutive years or less. The short-term subgroup may include some recipients who have received AFDC assistance for longer than two years if they left the program and then re-entered within the last two years.

- Many long-term recipients do not have a high school diploma and most either have never been employed or were last employed more than two years ago.

As shown in Figure 5.2, 24 percent of short-term recipients have not received a high school diploma, while almost 40 percent of long-term recipients have not received that degree.

Sixty-five percent of long-term recipients either have never been employed or were last employed more than two years ago. Short-term recipients have a better employment history; only 30 percent of them either were never employed or were last employed more than two years ago (Figure 5.3).

FIGURE 5.1

DESCRIPTION OF SUBGROUPS

LONG-TERM RECIPIENTS A household which has received AFDC benefits for eight or more consecutive years.	SHORT-TERM RECIPIENTS A household which has received AFDC benefits for two consecutive years or less.
TEEN RECIPIENTS Recipients who were below eighteen years of age when their current AFDC case was opened. This will not include recipients who were teenagers when their case opened if they did not receive AFDC benefits for a period of time.	NON-TEEN RECIPIENTS Recipients were eighteen or older when current AFDC case was opened.
RECIPIENTS WITH CHILD UNDER SIX The household contains at least one child under the age of six.	RECIPIENTS WITH NO CHILD UNDER SIX The household does not contain any children under the age of six.
UNEMPLOYED PARENT The AFDC household includes an unemployed spouse.	AFDC REGULAR The AFDC household does not include a spouse.

In addition, long-term recipients are typically older than short-term ones. Almost 35 percent of long-term recipients are between the ages of 36 and 45, while 14 percent of short-term ones are in that age group. The long-term recipient is typically female (97 percent), while the short-term group includes more male household heads (15 percent). The short-term subgroup includes most of the people in the AFDC Unemployed Parent program, where the household head is usually male.

2. TEEN AND NON-TEEN RECIPIENTS

Teen recipients--those who were below 18 years of age when their current AFDC spell started--make up 9 percent of all recipients.

- Many teen recipients have not obtained a high school diploma, and over half have never been employed or were last employed more than two years ago.

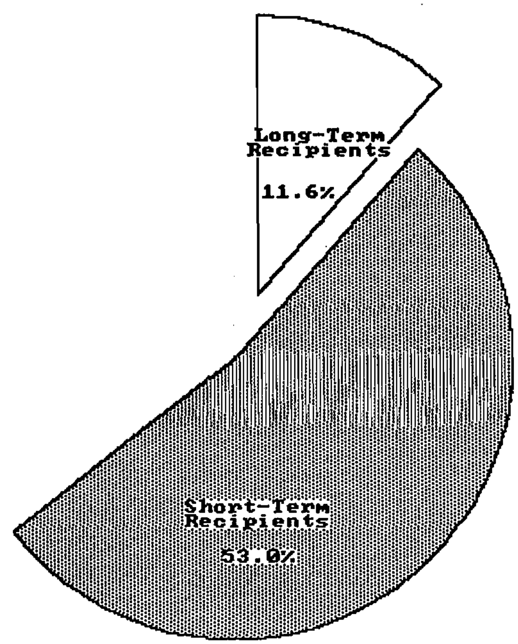
As shown in Figure 5.4, non-teen recipients typically are better educated than their teen counterparts. Nearly 49 percent of those who were teen-

FIGURE 5.2

ANALYSIS OF RECIPIENT SUBGROUPS:
LONG-TERM RECIPIENTS AND SHORT-TERM RECIPIENTS

LONG-TERM RECIPIENTS

LENGTH OF STAY:	Have received grants for an average of 11.2 years.
EMPLOYMENT:	Six percent work full-time and 8.5 percent work part-time; 67 percent are not seeking work. Over half are registered for the WIN program.
EDUCATION:	39.4 percent have not received a high school degree; 28 percent have graduated from high school; 32.6 percent have received some college or vocational/technical training.
OTHER BENEFITS:	88 percent receive food stamps, and 36 percent live in subsidized housing.
FAMILY:	97 percent of households are female-headed. 5.7 percent have children under the age of two.

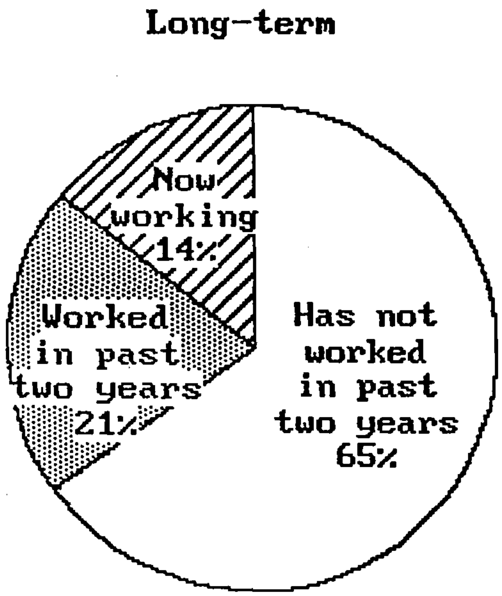


SHORT-TERM RECIPIENTS

LENGTH OF STAY:	Have received grants for an average of only 0.8 years.
EMPLOYMENT:	3.8 percent work full-time and 10 percent work part-time; 63.2 percent are not seeking work. 28.5 percent are registered for the WIN program.
EDUCATION:	24 percent have not received a high school degree; 34.4 percent have graduated from high school; 41.6 percent have received some college or vocational/technical training.
OTHER BENEFITS:	80 percent receive food stamps, and 21 percent live in subsidized housing.
FAMILY:	85 percent of households are female-headed. 34.5 percent have children under the age of two.

FIGURE 5.3

EMPLOYMENT HISTORY
LONG-TERM AND SHORT-TERM RECIPIENTS



agers when they entered the AFDC program have not received a high school diploma. In contrast, just 24 percent of the non-teens have not graduated from high school.

Non-teen recipients are more likely (14 percent) than teen recipients (6 percent) to be employed, as Figure 5.5 shows. Over half of all teen recipients (56 percent) have never been employed, or were last employed more than two years ago. Non-teen recipients are more likely to have been employed within the last two years (56 percent).

- People who were teenagers when they started receiving AFDC assistance are more likely than non-teen recipients to become long-term AFDC recipients.

Almost 50 percent of those who were teenagers when they started in the AFDC program have received AFDC payments for more than three consecutive years; 22 percent have received benefits for one year or less. In contrast, of recipients who were over 18 when they entered the AFDC program, 30 percent have collected benefits for more than three years, while almost 40 percent have collected AFDC payments for one year or less.

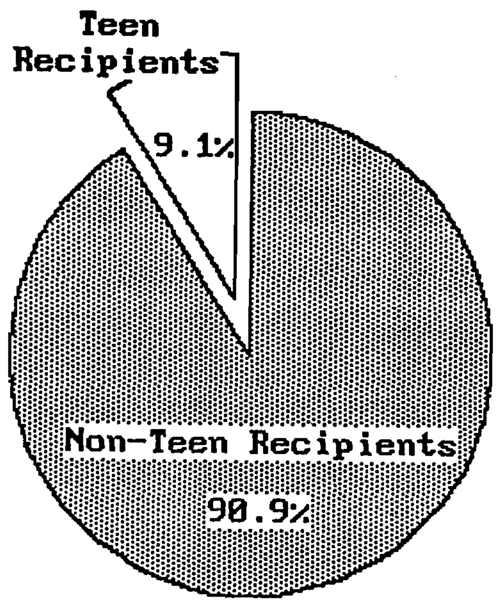
Teen recipient families are typically smaller than the other families. Almost 70 percent of the teen households include fewer than three members,

FIGURE 5.4

ANALYSIS OF RECIPIENT SUBGROUPS:
TEEN RECIPIENTS AND AND NON-TEEN RECIPIENTS

TEEN RECIPIENTS

LENGTH OF STAY:	Have received grants for an average of 3.8 years.
EMPLOYMENT:	Only 1.7 percent work full-time and only 4.6 percent work part-time; 87.1 percent are not seeking work. Only 11.8 percent are registered for the WIN program.
EDUCATION:	Almost half have not received a high school degree; 27.8 percent have graduated from high school; 23.3 percent have received some college or vocational/technical training.
OTHER BENEFITS:	71.8 percent receive food stamps, and 25 percent live in subsidized housing.
FAMILY:	98 percent of households are female-headed. 42.5 percent have children under the age of two.

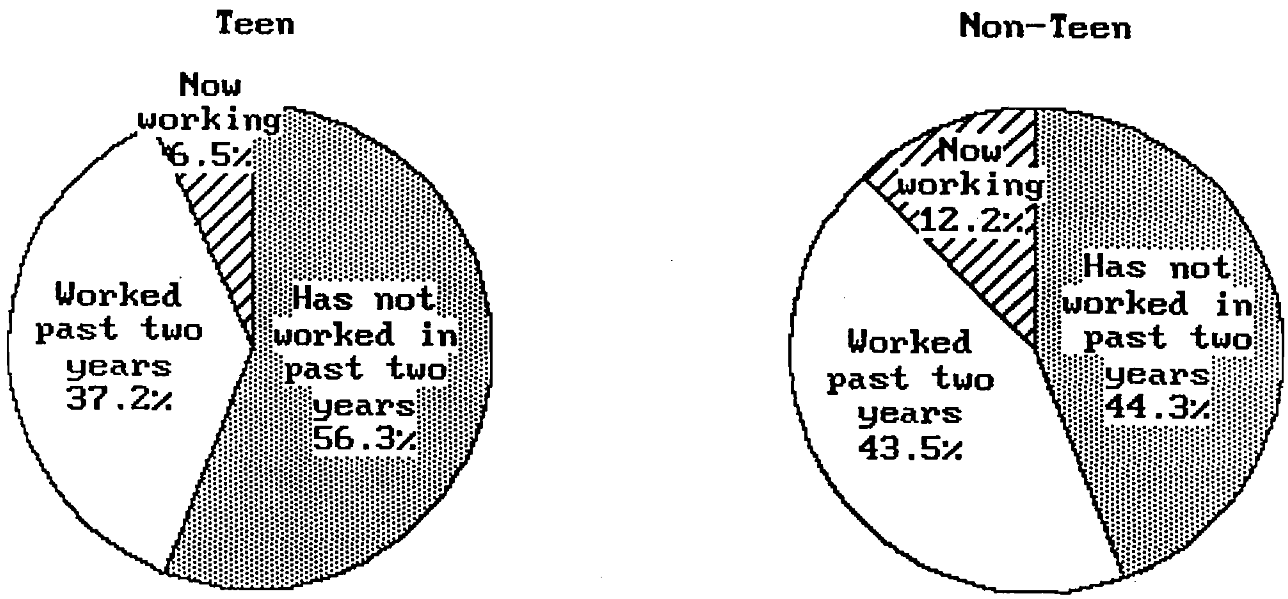


NON-TEEN RECIPIENTS

LENGTH OF STAY:	Have received grants for an average of 2.7 years.
EMPLOYMENT:	4.1 percent work full-time and 10.3 percent work part-time; 63.6 percent are not seeking work. Less than one-third are registered for the WIN program.
EDUCATION:	23.9 percent have not received a high school degree; 33.8 percent have graduated from high school; 42.3 percent have received some college or vocational/technical training.
OTHER BENEFITS:	80.8 percent receive food stamps, and 26.4 percent live in subsidized housing.
FAMILY:	86.9 percent of households are female-headed. 2.4 percent have children under the age of two.

FIGURE 5.5

EMPLOYMENT HISTORY
TEEN AND NON-TEEN RECIPIENTS



while only 44 percent of the non-teen households include fewer than three members.

3. RECIPIENTS WITH AND WITHOUT CHILDREN UNDER SIX

We compared AFDC families with young children to families without young children. Parents with children under the age of six usually have more time constraints and higher child care costs than other parents. Consequently, families with young children may require special assistance to overcome barriers to employment.

As shown in Figure 5.6, 76 percent of heads of households with young children are not seeking employment, as opposed to only 46 percent of those without young children. Nearly 12 percent of recipients with young children are actually employed, while almost 19 percent of those without young children are employed. Most recipients with young children are exempt from the WIN program; in contrast, 65 percent of the ones without young children are registered with WIN.

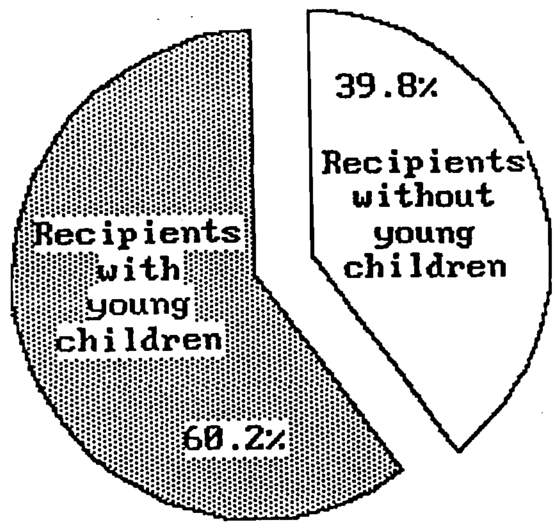
- While fewer recipients with young children are currently employed, both subgroups--those with young children and those with only older children--are equally employable according to two key characteristics: education and work history.

FIGURE 5.6

ANALYSIS OF RECIPIENT SUBGROUPS:
RECIPIENTS WITH AND WITHOUT YOUNG CHILDREN

RECIPIENTS WITH YOUNG CHILDREN

LENGTH OF STAY:	Have received grants for an average of 2.2 years.
EMPLOYMENT:	Only 2.7 percent work full-time and 8.3 percent work part-time; 76.2 percent are not seeking work. Less than one-third are registered for the WIN program.
EDUCATION:	25.3 percent have not received a high school degree; 35.5 percent have graduated from high school; 39.2 percent have received some college or vocational/technical training.
OTHER BENEFITS:	80.6 percent receive food stamps, and 26.8 percent live in subsidized housing.
FAMILY:	89 percent of households are female-headed. 39.9 percent have children under the age of two.



RECIPIENTS WITHOUT YOUNG CHILDREN

LENGTH OF STAY:	Have received grants for an average of 3.7 years.
EMPLOYMENT:	Nearly 6.0 percent work full-time, while 12.7 percent work part-time; only 45.8 percent are not seeking work. Over half, 65.0 percent, are registered for the WIN program.
EDUCATION:	27.3 percent have not received a high school degree; 31.5 percent have graduated from high school; 41.2 percent have received some college or vocational/technical training.
OTHER BENEFITS:	81.5 percent receive food stamps, and 25.1 percent live in subsidized housing.
FAMILY:	86 percent of households are female-headed.

There is little difference in the education or work history of recipients with and without young children. Approximately 26 percent of both groups have not received a high school diploma while 40 percent have received some college or vocational training. The proportion of recipients in each subgroup who had worked recently was similar, as was the proportion who had not worked in the past two years.

We found that families without young children are typically smaller than families with young children. Additionally, households without young children have heads who are somewhat older; almost one-third are between 36 and 45 years old. Most of the recipients (84 percent) with children under six are between the ages of 20 and 35.

4. AFDC REGULAR AND AFDC UNEMPLOYED PARENT RECIPIENTS

We compared the employability of participants in the AFDC Unemployed Parent program with that of AFDC Regular participants. We found that:

- People in the AFDC Unemployed Parent program have fewer personal characteristics that limit their employability than people in the AFDC Regular program. However, the AFDC Unemployed Parent households are more often located in counties where economic conditions limit employment opportunities.

Almost one-third of AFDC Unemployed Parent recipients live in counties where the unemployment rate is over seven percent while only 16 percent of the total population of the state live in those counties. Nearly 51 percent of the AFDC Unemployed Parent participants live in counties where the unemployment rate is above the state average. In contrast, only one-third of AFDC Regular program participants live in counties where the unemployment rate is above the state average.

As shown in Figure 5.7, recipients typically remain in the AFDC Regular program almost twice as long as people stay in the AFDC Unemployed Parent program. To some extent, the relatively short stays of AFDC unemployed parents may be explained by their recent influx into the AFDC program. Some of them may eventually be long-term recipients.

Eleven percent of the people in the AFDC Unemployed Parent program are currently employed; 55 percent are seeking work and 34 percent are not. Only 15 percent of the AFDC Regular recipients are seeking work, while 71 percent are not (the others are employed). In the AFDC Unemployed Parent program, 68 percent have been employed within the last two years. In contrast, only 52 percent of the AFDC Regular recipients had been employed within the last two years, as Figure 5.8 shows.

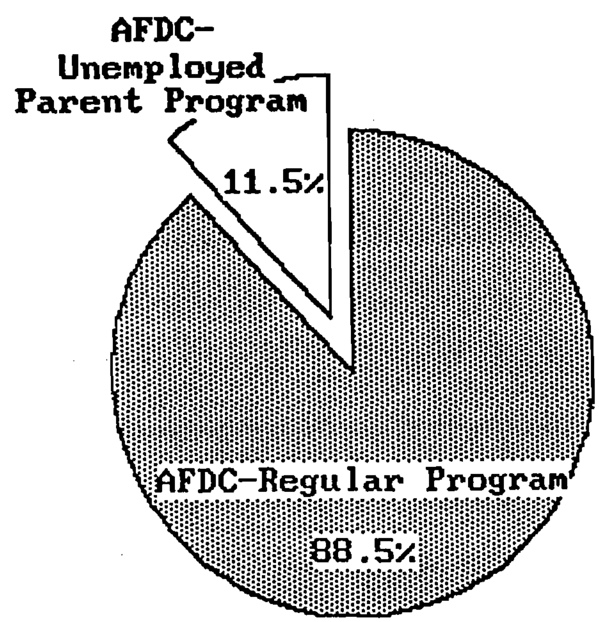
AFDC Unemployed Parent recipients are usually better-educated than those in the regular program (Figure 5.9). About 78 percent of the former group have at least a high school education; 74 percent of the latter have that much education.

FIGURE 5.7

ANALYSIS OF RECIPIENT SUBGROUPS:
AFDC-UNEMPLOYED PARENT PROGRAM RECIPIENTS AND AFDC-REGULAR PROGRAM RECIPIENTS

AFDC-UNEMPLOYED PARENT PROGRAM RECIPIENTS

LENGTH OF STAY:	Have received grants for an average of 1.6 years.
EMPLOYMENT:	2.5 percent work full-time and 9.1 percent work part-time; only 33.7 percent are not seeking work. Almost half are registered for the WIN program.
EDUCATION:	21.9 percent have not received a high school degree; 34.4 percent have graduated from high school; 43.8 percent have received some college or vocational/technical training.
OTHER BENEFITS:	92.4 percent receive food stamps, and 22.4 percent live in subsidized housing.
FAMILY:	The primary wage earner in this subgroup is generally male. 39.4 percent have children under the age of two.



AFDC-REGULAR PROGRAM RECIPIENTS

LENGTH OF STAY:	Have received grants for an average of 3.0 years.
EMPLOYMENT:	Only 3.7 percent work full-time and 10 percent work part-time; 71.3 percent are not seeking work. Less than one-third are registered for the WIN program.
EDUCATION:	26.3 percent have not received a high school degree; 33.3 percent have graduated from high school; 40.4 percent have received some college or vocational/technical training.
OTHER BENEFITS:	78.3 percent receive food stamps, and 27 percent live in subsidized housing.
FAMILY:	96.1 percent of households are female-headed. 19.5 percent have children under the age of two.

FIGURE 5.8

EMPLOYMENT HISTORY
AFDC-UNEMPLOYED PARENT AND AFDC-REGULAR RECIPIENTS

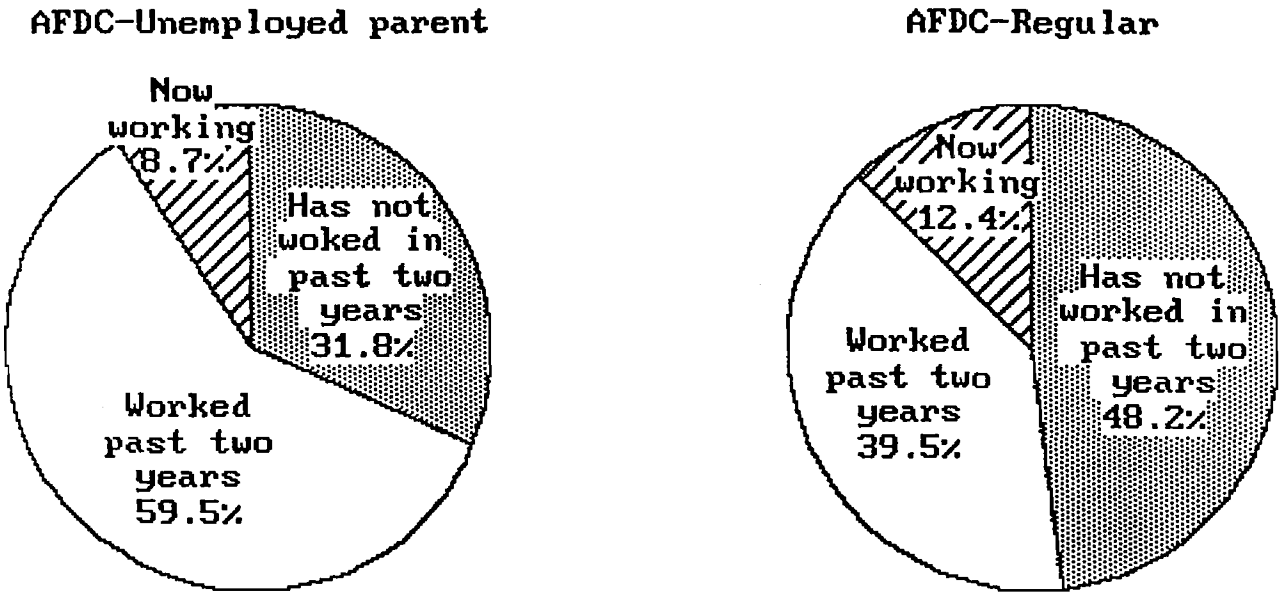
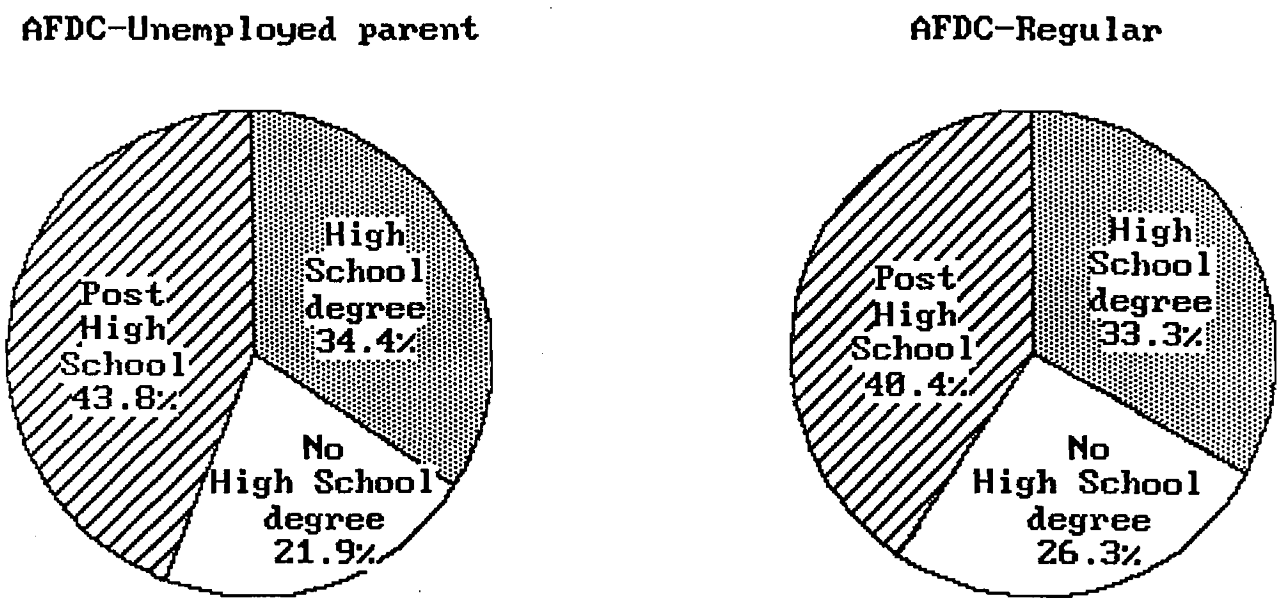


FIGURE 5.9

EDUCATION
AFDC-UNEMPLOYED PARENT AND AFDC-REGULAR RECIPIENTS

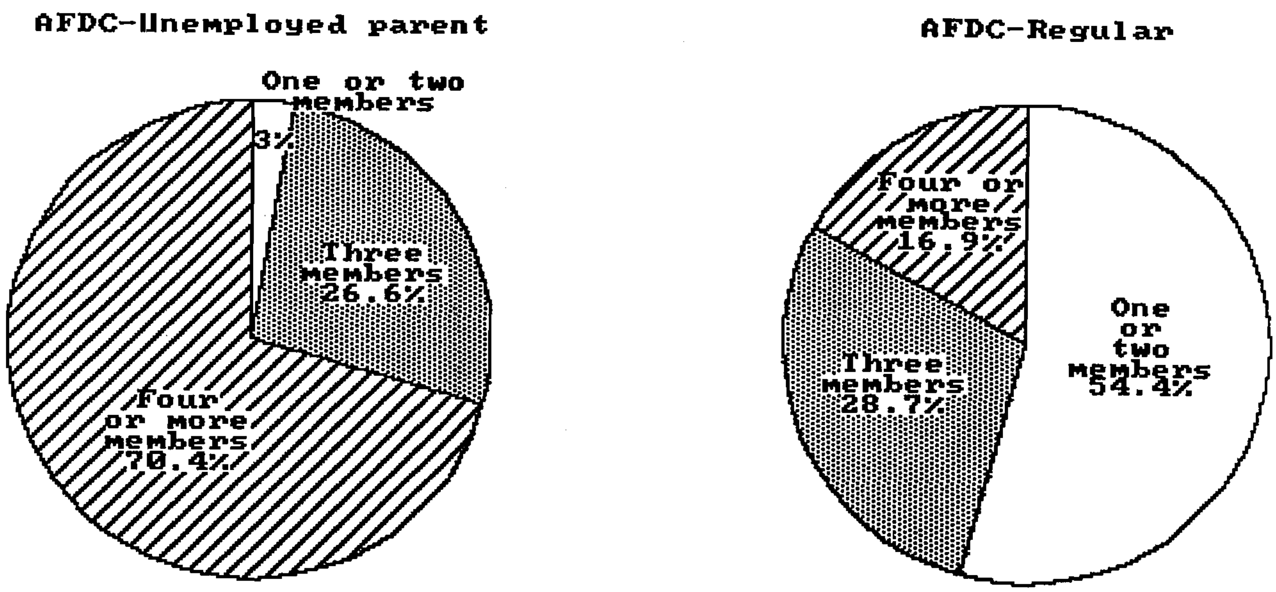


On average, there is little difference in age between the AFDC Unemployed Parent and the AFDC Regular recipients. About 72 percent of both subgroups are between the ages of 20 and 35.

The household head in the AFDC Unemployed Parent program is typically male (62 percent), whereas almost all those in the AFDC Regular program are women (96 percent). Most of the AFDC Unemployed Parent families include four or more members (70 percent); only 17 percent of the AFDC Regular families contain four or more members, as shown in Figure 5.10.[9]

FIGURE 5.10

HOUSEHOLD SIZE
AFDC-UNEMPLOYED PARENT AND AFDC-REGULAR RECIPIENTS



E. OTHER FACTORS WHICH CAN AFFECT EMPLOYABILITY

Parent or child health problems may also limit the employability of some recipients. A survey by the Minnesota State Planning Agency found that five percent of AFDC single parents said health problems or disabilities prevented them from pursuing school or training. For three percent of

[9]A child can be the only recipient.

AFDC single parents, this was the main barrier. The same study found that six percent of AFDC single parents said poor health or a disability was a barrier to employment; it was the main barrier for three percent.[10]

Child health problems can also be a barrier to employment. In a study of Ramsey County parents, nearly 18 percent of AFDC single mothers reported having at least one child with a physical health problem, compared to five percent of the single mothers who were not on AFDC.[11]

F. IMPLICATIONS FOR POLICY

The data in this chapter provide the Legislature with insights into some important issues:

1. The work-readiness of the AFDC population and subgroups.
2. The cause of long-term welfare dependency.
3. The potential for targeting.

In considering a mandatory or voluntary work program for AFDC recipients, the Legislature needs to know whether they are capable of employment. When examining employability on the basis of education, work history, and family size, we found that few recipients are highly employable in every category. However, we also found that few have serious barriers to employment in all three categories, suggesting that self-sufficiency might be within reach for many of them.

In addition, we found that the recipients who are often exempt from work and training requirements--those with children under age six--have educations and work histories comparable to participants with children over age six. If acceptable child care is available to women with young children, they appear to be no less employable than others in the AFDC program.

There are two principal views about the causes of long-term welfare use. Some people claim that welfare breeds, or at least helps sustain, a "culture of poverty" among otherwise employable people. Others believe that long-term recipients have characteristics that make them less employable than short-term recipients. While our findings do not rule out the first possibility, we did find that long-term recipients have significantly poorer educations and work histories. Long-term recipients also have fewer and older children, so child care is probably not their primary barrier to employment.

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[10] Minnesota State Planning Agency, "Minnesota Jobs and Income Survey," November-December 1984.

[11] Wilder Foundation, *Single Parent Families*, St. Paul, Minn., 1985.

We think there is potential for targeting services, education programs, or work programs to certain AFDC subgroups. Because long-term recipients account for a large portion of AFDC program costs, the Legislature could maximize welfare savings by targeting recipients with traits predictive of long-term dependency.

The most important consideration in targeting AFDC recipients is the ability to accurately identify the characteristics that predict long-term dependency. Our findings that long-term recipients have poorer educations and work histories resemble the findings of the national studies reviewed in Chapter 6. We also found that people who start AFDC when they are teens stay on AFDC longer than other recipients.

While our findings provide data specific to Minnesota AFDC recipients, they are not sufficient by themselves to justify recipient targeting. The national studies of recipient characteristics have findings that should also be considered in any decision to target, because of methodological advantages over our Minnesota study. The best national study examined cases that have already closed (the ones we examined are still receiving AFDC), and distinguished recipients who were on AFDC more than once (our study only examines recipients' current AFDC stays).[12]

Any decision to target certain AFDC subgroups is one that should be made with great care. Experimental studies have not thoroughly evaluated the cost-effectiveness of targeting certain subgroups to the exclusion of others. However, as discussed in Chapter 8, uncertainty about the effects of targeting is probably outweighed by the risks of *not targeting* long-term recipients in employment programs.

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[12]David T. Ellwood, *Targeting "Would-Be" Long-Term Recipients of AFDC*, January 1986.

Welfare Incentives
Chapter 6

Welfare payments improve the standard of living of low-income people, helping to provide better diets, housing, and clothing. However, critics argue that the welfare system encourages out-of-wedlock births, voluntary unemployment, and long-term AFDC stays. They believe that the welfare system creates incentives for such behaviors to occur. In this chapter, we review what is known about whether AFDC does encourage these behaviors. We asked:

- What effect does welfare have on family structure and labor force participation, and does it foster dependency?

A. INTRODUCTION

1. INTERPRETING RECENT RESEARCH

Much more information is available today about AFDC's effects on recipient behavior than existed during the "War on Poverty" of the 1960s. National experiments, longitudinal studies, and better state-level data provided new insights in recent years. Nevertheless, for several reasons, debate continues on a number of issues and many questions are still unanswered.

First, research remains inconclusive on many of the welfare incentive issues, and it is difficult to apply some of the research to the AFDC systems of individual states. Even in some cases where most studies point to one conclusion, reasonable doubts remain about the validity of the research.

Second, when the research provides clear evidence about AFDC's effects on behavior, recommendations for action still require political judgements. For example, if we were to find that Minnesota AFDC benefits cause 10 percent of recipients to work less, is this insignificant or distressing? Ultimately, the answer to such a question requires the application of a value judgement, not additional data analysis. In addition, whether the behaviors "induced" by AFDC are good or bad is also a matter of judgement. For example, while some people deplore high AFDC payments for encouraging divorce, others applaud AFDC payments for allowing women to leave dysfunctional marriages.

Third, it is difficult to sort out AFDC's effects on behavior from the broader influences of our social culture. For example, compared to the nation as a whole, Minnesota ranks below average in teen birth rates, out-of-wedlock birth rates, and length of AFDC stays, and Minnesota ranks high in the percentage of AFDC recipients who hold jobs while on welfare. It is not clear that Minnesota's welfare system causes these positive indicators; perhaps these statistics reflect Minnesota's values, culture, and work ethic.

2. A FRAMEWORK FOR THINKING ABOUT WELFARE INCENTIVES

Many current discussions about AFDC call for changes in "welfare incentives." For the Legislature to create incentives for recipients to leave AFDC, or to remove welfare incentives that encourage undesirable behavior, it needs to consider how incentives work. This section presents a framework for such a consideration.

Three elements of an AFDC program may create incentives or disincentives: benefit levels, benefit reduction rates, and the "rules of the game." First, high *benefit levels* may induce people to work less, have out-of-wedlock births, get divorced, or stay on welfare for long periods. Benefits include cash payments, as well as services such as day care and health care. Second, the *benefit reduction rate* (sometimes called the AFDC marginal tax rate) may affect how much AFDC recipients work. The benefit reduction rate is the rate at which the AFDC system reduces payments as recipients' earnings increase. As noted in Chapter 7, Minnesota AFDC grants usually decline 50 to 95 cents for each additional dollar of earned income. Third, AFDC's *rules of the game* may affect behavior. It is argued, for example, that the lack of AFDC work requirements, the ability of recipients to live with other unmarried adults, and the lack of sanctions for bearing children while on AFDC encourage dependence on the AFDC program.

Of course, it is important to recognize that individual responses to incentives vary. Like the general population, AFDC recipients have different goals and motivations. Some recipients are "income maximizers," combining work and welfare so as to maximize their monthly income. Others seek employment even if the job pays less than welfare benefits. Other recipients make the well-being of their children the highest priority, and decisions about work, living arrangements, and length of stay on AFDC reflect this concern. Still other recipients seek personal satisfaction, such as a rewarding job, a healthy home environment, or personal improvement.

In attempting to reform incentives in the AFDC program, it is difficult, if not impossible, to take account of the full range of individual goals and motivations. Policy-makers should, nevertheless, consider whom the incentives influence most heavily and the specific circumstances in which incentives work best. Existing research on AFDC incentives does not provide all the insights that policy-makers need, but we offer the following six questions as a guide to help legislators analyze reform proposals:

(a) *Is the extent of behavior change directly related to the size of the incentive (see Figure 6.1)? Or do incentives take effect only after they pass some threshold level (see Figure 6.2)?* Some people believe that any increase in Minnesota payment levels produces an increase in undesirable behavior, such as out-of-wedlock births or longer welfare stays. In contrast, some people hypothesize that AFDC payments have little effect on the number of out-of-wedlock births until payments reach a certain threshold (such as the amount necessary to support a child), and perhaps increases in benefit levels have little additional influence on child-bearing after this point.

FIGURE 6.1

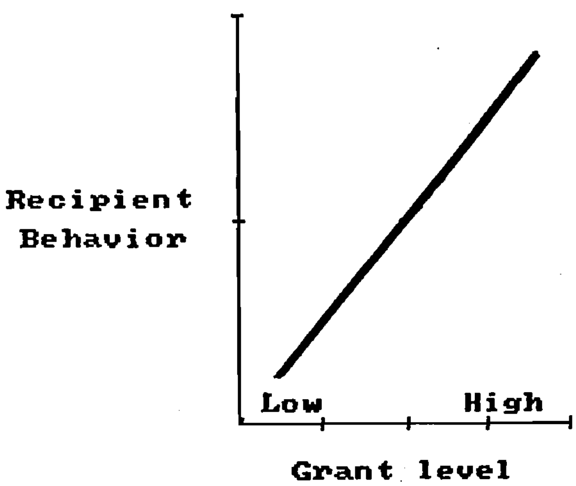
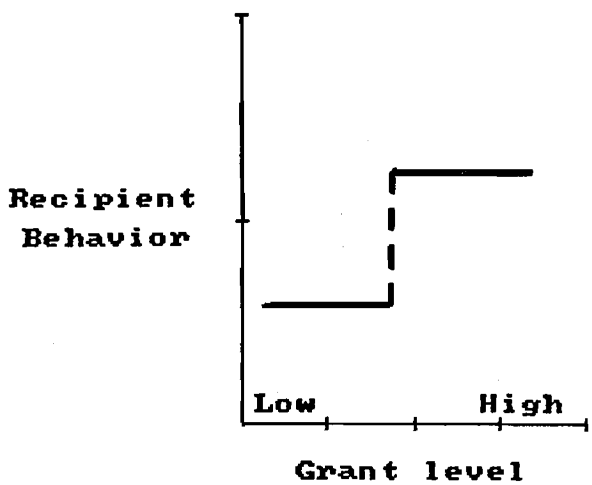


FIGURE 6.2



(b) *How obvious must an incentive be for it to have an effect?* Although many people assumed that the "30 and 1/3" deduction on recipient earned income was a powerful work incentive, a 1972 study found that half of AFDC recipients were not aware of it, and many recipients did not understand the provision even after it was explained to them.[1] In a similar vein, there is some

[1]From 1967 to 1982, recipients' first $30 per month of earnings plus one-third of the remainder was exempted from "countable income." Thus, substantial amounts of earned income did not affect grant payments. The "30 and 1/3" exemption now applies only during recipients' first four months on AFDC. The study results are reported by Mildred Rein in *Dilemmas of Welfare Policy: Why Work Strategies Haven't Worked*, 1982, pp. 55-56.

question about whether the gradual inflationary erosion of Minnesota AFDC benefits in recent years affected recipient behavior as dramatically as an explicit benefit cut might.

(c) *Does welfare have its greatest effect on recipients' least consequential decisions?* One study discussed in this chapter found that AFDC grant levels heavily influenced whether recipients chose to establish their own households, something that most family heads do sooner or later. However, the study found that grants played a smaller role in the more significant choice of bearing a child out-of-wedlock.[2]

(d) *Do welfare incentives more strongly affect current AFDC recipients than potential recipients?* For example, welfare benefits may be more likely to cause current recipients to delay remarriage than to encourage divorce among people contemplating the possible future receipt of AFDC.

(e) *Do AFDC incentives lose their effect over time?* Charles Murray (author of *Losing Ground*) argues that the changes in AFDC's "rules of the game" in the 1960s took on a life of their own after implementation. Thus, in addition to their immediate effects on recipient behavior, the changes may still be shaping the norms and attitudes of current recipients. However, it might also be argued that the effects of certain incentives (such as a large grant increase) diminish after the initial visibility of the change wears away.

(g) *Is it harder to change some people's behavior with incentives than others?* For example, incentives may affect the temporarily poor more than the persistently poor. Perhaps some population subgroups exhibit more entrenched attitudes and behaviors than others.

Again, existing research reveals no clear answers to most of these questions. However, asking these questions may help sharpen the legislative debate and yield more informed changes.

B. AFDC'S EFFECT ON FAMILY STRUCTURE

Dramatic changes occurred in American families in recent years. These changes included increases in divorce and separation, female-headed families, and child-bearing among unmarried women. As noted in the previous chapter, Minnesota's divorce and out-of-wedlock birth rates increased in recent years but remained below national levels. Various people, ranging

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[2]David T. Ellwood and Mary Jo Bane, "The Impact of AFDC on Family Structure and Living Arrangements," *Research in Labor Economics*, Vol. 7, 1985, pp. 137-207.

from former Department of Health, Education and Welfare Secretary Joseph Califano to former New York City welfare commissioner Blanche Bernstein to welfare critic Charles Murray, have observed these trends and questioned whether welfare played a role in the perpetuation of single-parent families. This section examines AFDC's possible effects on family structure.

1. CREATION OF HOUSEHOLDS HEADED BY SINGLE MOTHERS

The typical AFDC recipient enters the program because she has become a single parent. According to a national study, three-fourths of all AFDC case openings directly result from a divorce or an out-of-wedlock birth.[3]

The number of Minnesota families headed by women grew 42 percent between 1970 and 1980, and female-headed families now represent one out of every ten Minnesota families. Tables 6.1 and 6.2 compare these figures to those of surrounding states.

TABLE 6.1

GROWTH IN THE NUMBER OF FEMALE-HEADED FAMILIES

1970-1980

	1970	1980	Percent Change
Minnesota	73,556	104,639	+42.3%
Wisconsin	89,960	133,313	+48.2
North Dakota	9,974	13,207	+32.4
South Dakota	12,214	16,626	+36.1
Iowa	53,349	70,509	+32.2
U.S.	5,539,073	8,205,279	+48.1

Source: 1970, 1980 U.S. Census.

Nationally, blacks and whites experienced nearly identical rates of growth in female-headed families during the past two decades. About 51 percent of black children currently live with a single mother, and 15 percent of white children do. Researchers project that 42 percent of white children

[3]Bane and Ellwood, *The Dynamics of Dependence: The Routes to Self-Sufficiency*, June 1983, p. 18. Minnesota does not have reliable information on the reasons for case openings.

TABLE 6.2

PERCENT OF ALL FAMILIES THAT ARE FEMALE-HEADED

	1970	1980	Percent Change
Minnesota	8.0%	10.0%	+25.0%
Wisconsin	8.3	11.0	+37.0
North Dakota	6.7	7.8	+16.4
South Dakota	7.5	9.3	+24.0
Iowa	7.4	9.1	+23.0
U.S.	10.8	13.9	+28.7

Source: 1970, 1980 U.S. Census.

and 86 percent of black children born in the late 1970s will live in a female-headed family sometime during their first 18 years.[4]

Single women who head families reach that status by one of three routes. The first is when *an unmarried woman bears a child*. Although the pregnancy may be unplanned, choosing to bear the child, to keep the child, and not to marry are conscious decisions. Welfare payments make these choices at least economically feasible. A second route by which single women head families is when *a married mother gets divorced or separated*. Welfare payments provide a means of financial support other than the husband. The third route by which single women head families is when *a single mother living within another person's household decides to establish her own household*. Nationally, one-fourth of single mothers live with relatives, and about three-fourths of women under age 24 who have births out-of-wedlock do not head their own household during their first maternal year.[5] Welfare payments make establishment of an independent household a more feasible option for many low-income women.

2. AFDC'S EFFECTS ON OUT-OF-WEDLOCK BIRTH RATES

Over the past 20 years, the most dramatic Minnesota birth trend was the steady increase in out-of-wedlock births. Although Minnesota's out-of-wedlock birth rates are below national levels, out-of-wedlock births today represent 14 percent of Minnesota births, compared to 7 percent in 1967.

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[4] Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and Their Children: A New American Dilemma*, 1986. p. 46.

[5] Ellwood and Bane, *op. cit.*, p. 151.

More than half of the single parents in Minnesota's AFDC caseload have had out-of-wedlock births, compared to 29 percent in 1974. As reported in Chapter 5, we estimated that at least five percent of women on AFDC with children over age two conceived a child after starting the program.

Welfare critic Charles Murray notes the nearly equal rates of increase in female-headed families and welfare caseloads in recent years. He hypothesizes that increases in out-of-wedlock births in the late 1960s and early 1970s stemmed from a variety of causes, including welfare.[6] Murray does not believe that increases in AFDC benefit rates automatically produce increases in out-of-wedlock births. Rather, he suggests that there may be certain benefit thresholds above which a woman considers bearing an out-of-wedlock child. Benefit levels (including benefits aside from AFDC) do not *bribe* women to bear children out-of-wedlock, he says, but they *enable* women to do so. Moreover, Murray attributes out-of-wedlock births to changes in "rules of the game" as much as he attributes them to benefit levels. For example, he suggests that out-of-wedlock births became more attractive when the Supreme Court overturned the "man-in-the-house rule," which had prohibited unmarried women on welfare from living with men.[7]

We reviewed the research literature for evidence of a link between AFDC and illegitimacy. We found that past studies showed little sign of such a link.[8] Probably the best study to date is one conducted by David Ellwood and Mary Jo Bane. Unlike previous studies, the Ellwood and Bane study recognized that unmeasured variables, such as social culture and attitudes, strongly influence behavior in different states, and the study used several methods to control for these variables. The study compared the birth rates of (1) likely and unlikely AFDC recipients, (2) people eligible for AFDC and those not eligible, and (3) individual states over a period of years. Ellwood and Bane found "...no real evidence supporting

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[6]In *Losing Ground* (1984), Murray argues that changes in welfare, criminal justice, and education in the 1960s together encouraged the notion that people should not be held accountable for their actions.

[7]*King v. Smith*, 1968.

[8]A literature summary by William Julius Wilson and Kathryn M. Neckerman (*Fighting Poverty: What Works and What Doesn't*, eds. Sheldon H. Danziger and Daniel H. Weinberg, 1986, pp. 249-251) concludes that "...this research indicates that welfare receipt or benefit levels have no effect on the incidence of out-of-wedlock births." They report that income maintenance experiments in New Jersey, Seattle, and Denver yielded "inconclusive" findings about welfare's effect on births. A literature summary by Garfinkel and McLanahan (*op. cit.*, p. 58) reports a "weak to non-existent" relationship between welfare and out-of-wedlock births.

the proposition that welfare and fertility among unmarried women are linked," even among young women.[9]

The Ellwood and Bane study and other studies generally reached the same conclusion: that there is little relationship between welfare benefits and out-of-wedlock births. However, there is a cautionary footnote to previous research. Reputable welfare researchers recently voiced concerns about the findings of earlier studies:

> ...(O)ur own work in this area has convinced us that this entire body of research, including the Ellwood and Bane study, has been poorly specified and that the results are therefore suspect.... The result is that the studies are a crude and potentially misleading test of the hypotheses at issue. We do not know yet whether the weak research findings are the consequences of the weakness of the research methodology or reflect the true effects of the welfare system.[10]

The specific problems cited with the Ellwood and Bane study are: (1) it does not examine the relative attractiveness of alternatives to welfare that women face in various states; and (2) it uses a crude measure of AFDC benefits, examining only one family size and neglecting unearned income.

Overall, we conclude that:

- Existing research generally shows no link between welfare benefit levels and out-of-wedlock births. However, because of apparent shortcomings in past research, the possibility remains that benefit levels encourage some increase in out-of-wedlock births.

3. AFDC'S EFFECT ON DIVORCE, SEPARATION, AND REMARRIAGE

Family break-ups are the immediate cause of much American poverty. Particularly among the white population, married women who are not impoverished are getting divorced and dropping into poverty at an increasing rate.[11]

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[9]Ellwood and Bane, *op. cit.*, p. 142. The authors suggest that welfare may have a small effect on out-of-wedlock births, noting that they felt less confident about their research on out-of-wedlock births than about their research on divorces and living arrangements.

[10]Greg J. Duncan and Saul D. Hoffman, "Welfare Dynamics and the Nature of Need," *Cato Journal*, Spring/Summer 1986, p. 49. Duncan is the author of *Years of Poverty, Years of Plenty*, one of the best examinations of U.S. income dynamics. The authors hope to conduct research into welfare's effects on out-of-wedlock births in the near future.

[11]Bane, "Household Composition and Poverty," in *Fighting Poverty*, *op. cit.*, p. 210.

Some people suggest that the availability of high welfare benefits encourages family break-ups by making divorce a financially viable option. Furthermore, high benefits may create a disincentive for single women to marry, the means by which about one-third of AFDC recipients leave the program nationally.[12]

Studies in the past 15 years reached differing conclusions about welfare's effects on family break-up.[13] As in the case of out-of-wedlock birth research, the best of the studies is the 1985 Ellwood and Bane study. Unlike previous studies, this research attempted to control for state-to-state differences in social culture and attitudes. While the concerns expressed earlier about the Ellwood and Bane research also apply here, this study is the most thorough research conducted to date.

Ellwood and Bane conclude that welfare benefits cause sizable changes in divorce rates among women under age 24 and have little impact among older women. The authors suggest that, for women under age 24, a $100 benefit increase may increase the number of divorced and separated mothers by as much as 50 percent. They estimate that a $100 increase in benefits might increase the number of divorced and separated mothers of all ages by about 10 percent.[14] Using findings from this study and one other, a recent literature review concluded that the availability of welfare accounted for no more than one out of every seven new female-headed families between 1960 and 1975.[15]

Several studies report that welfare affects the rates of remarriage among female household heads. A recent estimate using longitudinal data suggests that a 25 percent cut in AFDC benefits increases by four percent the portion of white women who remarry within six years of a divorce; for blacks, the increase is 13 percent.[16]

4. AFDC'S EFFECTS ON LIVING ARRANGEMENTS

The choice of living independently or living with relatives often depends on a recipient's ability to afford an independent living arrangement.

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[12] Bane and Ellwood, *op. cit.*, p. 21.

[13] Prior to 1985, studies comparing states' numbers of female-headed families with state welfare benefits showed that welfare had an effect on family break-up, although the studies differed on the size of this effect. In contrast, studies tracking families over time found that benefits had little effect on family break-ups. See Garfinkel and McLanahan, *op. cit.*, pp. 55-59.

[14] Ellwood and Bane, *op. cit.*, p. 177.

[15] Garfinkel and McLanahan, *op. cit.*, p. 63.

[16] Hoffman and Duncan, "Remarriage and Welfare Choices of Divorced Women," August 7, 1986 (unpublished), p. 3.

Thus, some people speculate that AFDC payments encourage young mothers to move out of their parents' homes. Until recently, the U.S. Census Bureau lacked accurate data on single mothers who lived in the home of their parents. Ellwood and Bane's study corrected for this problem and provides the most reliable evidence of AFDC's effects on living arrangements.

About half of all single mothers under the age of 24 live independently. Ellwood and Bane estimate that a $100 increase in benefits (from $200 to $300 in 1976) produces a 30 percent decrease in the number of single mothers living with their parents. For young women (age 20), this benefit increase may double the mother's probability of establishing an independent household. Ellwood and Bane's findings regarding living arrangements were the most conclusive results in their study.[17]

Overall, we conclude that:

- Welfare benefits strongly affect the living arrangements of single mothers, especially young mothers. Evidence to date suggests that most of the increase in female-headed families caused by the availability of welfare programs results from changes in living arrangements, not changes in divorce or birth rates.

5. AFDC'S EFFECTS ON FAMILY STRUCTURE: CONCLUSIONS

After reviewing existing research, we concluded that:

- Welfare benefits strongly affect the living arrangements and divorce/separation rates of young women (particularly those under 24), but benefits have relatively small effects on older women. Welfare's effects on out-of-wedlock birth rates are still unclear. The purported links between welfare and out-of-wedlock births are unproved, and Ellwood and Bane's findings (particularly those related to out-of-wedlock births) require further study.

The Legislature should consider whether the size of welfare's effect on families is large enough to be cause for concern. However, the Legislature's course of action should not be determined solely on the basis of research and analysis. We concluded that:

- While AFDC benefits clearly affect family structure and living arrangements to some extent, the desirability of these effects is debatable and requires value judgements.

From the perspective of some people, we should never welcome divorces, out-of-wedlock births, and young mothers living independently. From the perspective of others, divorces free women from bad marriages, illegitimate births are a more acceptable alternative to abortion, and independent living teaches young mothers responsibility.

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[17]Ellwood and Bane, *op. cit.*, pp. 173-175.

C. AFDC'S EFFECT ON LABOR FORCE PARTICIPATION

Defenders of the welfare system often contend that "the poor want to work." The problem, they argue, is not the motivations or intentions of AFDC recipients, but the national economy and the barriers that single parents must overcome to get a job. Nevertheless, given that many women enter AFDC with little work experience, and given that AFDC benefits reduce the cost of not working, it is conceivable that AFDC payments make unemployment a more attractive option for some recipients.

Our examination of the evidence suggests that Minnesota AFDC recipients show a high propensity to work compared to recipients in other states, although recipients in states surrounding Minnesota show a similar propensity. Our review of existing research suggests that higher AFDC grants discourage work among recipients, although the extent of this effect for Minnesota recipients is unclear. In addition, we looked at research on "benefit reduction rates," the rates at which recipients lose benefits as their earnings increase. Studies generally do not indicate that high benefit reduction rates discourage work.

1. LABOR FORCE PARTICIPATION RATES OF WELFARE RECIPIENTS

We reviewed data on the employment of Minnesota AFDC recipients for the past five years. During this time, two major events affected recipients' employment levels. First, a national recession in 1982-1983 increased Minnesota unemployment levels, and these levels remained high in regions of the state dependent on farming and mining. Second, Congress passed the Omnibus Budget Reconciliation Act in 1981, which tightened AFDC eligibility and increased the benefit reduction rates for recipients with earned income.

At the start of 1982, nearly 33 percent of adult AFDC recipients in Minnesota worked. However, the Omnibus Budget Reconciliation Act eliminated many working recipients from the AFDC caseload, and in late 1982 about 16 percent of adult recipients worked. Figure 6.3 shows the recent history of AFDC recipient employment levels. As of August 1986, 17.7 percent of AFDC recipients held jobs.

The Omnibus Budget Reconciliation Act most strongly affected recipients with full-time employment. While 14 percent of adult recipients held full-time jobs in early 1982, less than four percent worked full-time by mid-1982. As of late 1986, only about 2.1 percent of AFDC recipients held full-time jobs.

These employment figures represent the number of recipients working at a point in time, thus understating the actual number of recipients who work while on AFDC. The percentage of AFDC family heads who work sometime during the course of a given year probably is at least twice the percentage of recipients working on any given day of that year.[18]

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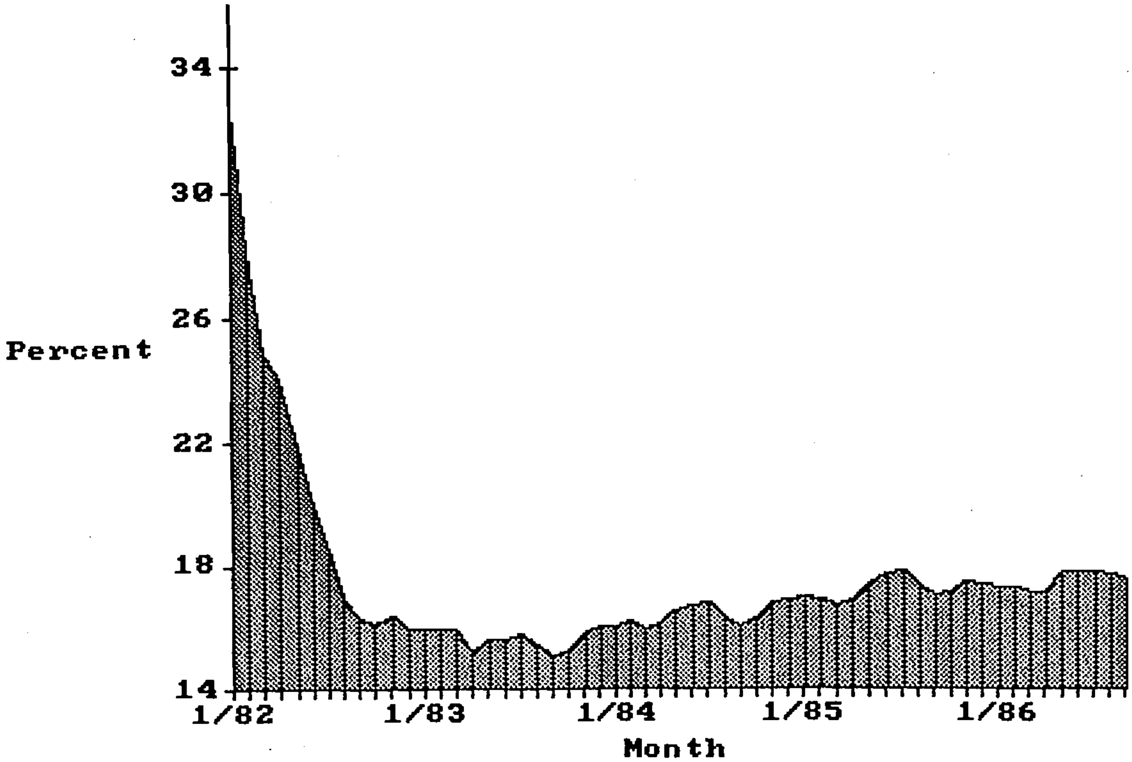
[18]Rein, *op. cit.*, p. 132.

FIGURE 6.3

PERCENTAGE OF MINNESOTA AFDC ADULTS EMPLOYED

1982 - 1986[a]



Source: Program Evaluation Division analysis of data from Minnesota Department of Human Services Welfare Information System.

[a]Data for December 1982 through March 1983 was unavailable. The graph shows 16 percent of recipients employed in each of these months, a rough estimate.

We compared the extent to which various states' AFDC caseloads include people with earned income and found that:

- The AFDC caseloads of Upper Midwest states (both high and low benefit states) contain much greater percentages of employed recipients than the nation as a whole.

- During the five most recent years for which data are available, Minnesota consistently ranked within the top seven states nationally in the percentage of AFDC recipients who were employed.

Table 6.3 compares Minnesota with surrounding states. A recent study suggests that states with high AFDC benefits tend to have the highest percentage of cases with earned income.[19] The correlations do not prove that higher benefits *induce* greater recipient employment. A woman earning $500 per month qualifies for AFDC in some high-benefit states but does not qualify in low-benefit states. Thus, the correlation between states with high benefits and states with high recipient employment rates is, to some extent, expected.

TABLE 6.3

PERCENT OF STATE AFDC CASELOADS WITH EARNED INCOME[a]

Fiscal Years 1980-1984

	1980	1981	1982	1983	1984
Minnesota	30.0%	28.1%	20.3%	12.7%	14.2%
Wisconsin	26.4	25.9	15.5	14.2	14.4
South Dakota	24.5	27.3	13.7	11.3	8.0
North Dakota	28.1	24.7	20.4	13.1	15.6
Iowa	25.6	23.1	12.5	13.6	14.2
Utah	17.8	20.3	11.2	12.1	16.0
Massachusetts	20.8	20.6	13.2	8.9	9.5
U.S.[b]		12.7	7.9	5.7	6.0

Source: U.S. Department of Health and Human Services, Office of Family Assistance.

[a]In addition to states bordering Minnesota, we show data on Utah, due to some welfare reforms started there in Fiscal Year 1983, and Massachusetts, which implemented its Employment and Training Program in Fiscal Year 1984.

[b]The numbers shown are the portions of total U.S. caseload with earned income in each year.

Still, Minnesota's 1984 proportion of AFDC recipients with earned income (14.2 percent) ranks considerably above the rates of several other high benefit states, such as California (6.9 percent), New York (4.5), and Alaska (10.8). Among states with benefit levels comparable to Minne-

[19]Bernie Stumbras, *Do High AFDC Benefits Reduce the Incentive to Work?*, Institute for Research on Poverty, October 1986.

sota's, only Wisconsin and Vermont have greater proportions of recipients with earned income than Minnesota (14.4 and 16.1 percent respectively).[20]

Another measure of AFDC recipients' labor force participation is the extent to which case closings result from increased earnings. In 1985, about 8,600 Minnesota recipients were reported to have left AFDC because of increases in earnings.[21] A national study found that one in five AFDC closings results from earnings increases.[22] In comparison, a study by Minnesota's Department of Human Services estimated that increased earnings accounted for half of the state's permanent case closings in 1984.[23]

Although a relatively high percentage of Minnesota recipients work while on welfare and leave AFDC through employment, most unemployed recipients at any given time are not actively seeking work. This may reflect recipients' choices of full-time parenting over employment, or it may reflect recipients' perceptions that work is unavailable or unappealing. We analyzed 1983-1986 data on more than 7,000 Minnesota recipients to determine the status of people who are not employed.[24] Over this period, about one-fourth of people not working reported that they looked for work but were unable to find it. The other three-fourths reported that they were not looking for work.

2. WELFARE'S EFFECT ON WORK: A REVIEW OF THE RESEARCH LITERATURE

a. *Negative income tax experiments.*

Between 1968 and 1982, the federal government sponsored four "negative income tax" experiments. One researcher termed these experiments "the

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[20]U.S. Department of Health and Human Services, Office of Family Assistance.

[21]Minnesota Department of Human Services, *Minnesota Aid to Families with Dependent Children For Fiscal Year 1985*, p. 27.

[22]Ellwood, *Targeting "Would-Be" Long-Term Recipients of AFDC*, January 1986, p. xv. Ellwood cites corrected information for a previous study done in 1983.

[23]Minnesota Department of Human Services, *Use of AFDC by Single Parents: Patterns and Factors*, March 1985, pp. 4-5. "Permanent" means closed for three months. We were unable to compare Minnesota's percentage of earnings-related case closings to those of other states because the state data is not reported consistently.

[24]As discussed in Chapter 5, we reviewed data collected as part of the federal Quality Control sample. Each of the 7,000 recipients was surveyed one time during this four-year period.

most ambitious social policy research undertaking ever attempted."[25] A negative income tax system pays cash grants to people who have low incomes, somewhat the reverse of the regular income tax system. Because the negative income tax is a cash grant program, the experimental findings on the trade-off between work and welfare are relevant to AFDC.[26] A primary purpose of the experiments was to determine the effect of various income guarantees and benefit reduction rates on recipient's work behavior.

While the experimental findings were complex, they may be summarized as follows:

- The cash grants paid under the negative income tax reduced hours worked by female heads of households 12 to 25 percent. The grants caused female household heads to work the equivalent of three or four full-time weeks fewer per year.

- The grants reduced hours worked by male household heads 3 to 10 percent. This equals a full-time work reduction of about two weeks per year.

Figure 6.4 summarizes recent conclusions of research on the negative income tax for female and male household heads. In general, the experiments reported larger work reductions among non-whites than whites. Also, longer-term negative income tax programs (those in place five years rather than three) caused larger work reductions.

The studies also found that:

- The main cause of the reduction in work was that unemployed people stayed out of work for longer periods, not that more working people quit their jobs.

In an experiment conducted in Seattle and Denver, cash grants increased the average length of unemployment for female household heads by 56 weeks

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[25]Philip K. Robins, "A Comparison of the Labor Supply Findings From the Four Negative Income Tax Experiments," *Journal of Human Resources*, Fall 1985, p. 568.

[26]There are some important differences between the negative income tax and AFDC. The negative income tax experiments offered grants more generous than AFDC grants, usually equalling or exceeding the poverty level. Also, the grants were not dependent on marital status. The control groups in the experiments were eligible for AFDC, so the experiments only measured the negative income tax's effects beyond those of the existing welfare system. "Control groups" are randomly selected individuals who, for comparison purposes, are not eligible to participate in an experimental program.

FIGURE 6.4

THE EFFECTS OF A NEGATIVE INCOME TAX ON WORK EFFORT: RESULTS FROM RECENT STUDIES

The four negative income tax (NIT) experiments conducted by the federal government between 1968 and 1982 resulted in detailed reports on the experiments' effects on various population subgroups. Included below are summaries of the NIT findings taken from recent literature. Of primary interest are the Seattle/Denver and Gary experiments, since only these two experiments studied the NIT's effects on female household heads.

Philip K. Robins, "A Comparison of the Labor Supply Findings From the Four Negative Income Tax Experiments," *Journal of Human Resources*, Fall 1985, pp. 567-582.

> Altogether, the four experiments resulted in the following average annual declines in work: husbands - 89 hours (5 percent); female household heads - 123 hours (13.2 percent).

Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence" (unpublished paper), September 1986.

> Female household heads in the Seattle/Denver and Gary experiments reduced work hours by 133 hours, or 17 percent. The reduction in Seattle/Denver was 13 percent; the reduction in Gary (an all-black population) was 30 percent. The average work reduction for men from the four experiments was 119 hours, or 7 percent. Male work reductions in the individual experiments were: New Jersey, 1.2 percent; rural study, 2.8 percent; Gary, 6.5 percent; Seattle/Denver, 8.8 percent.

Robert Moffitt, "The Negative Income Tax: Would It Discourage Work?" *Monthly Labor Review*, April 1981, pp. 23-27.

> Female household heads reduced their work hours by 27.8 percent in Gary, and 11.9 percent in Seattle/Denver. Men reduced their work hours by 5.3 percent in Seattle/Denver, 4.7 percent in Gary, 2.3 to 7.1 percent in New Jersey, and 1.2 to 8.0 percent in rural areas.

Gary Burtless and Robert Haveman, *Policy Lessons From Three Labor Market Experiments*, Institute for Research on Poverty, March 1984.

> Female household heads reduced their work hours in Seattle/Denver by "more than 20 percent--perhaps by as much as 28 to 32 percent" (p. 5). Prime-aged men reduced their work hours by 9 to 10 percent.

Philip K. Robins and Richard W. West, "Labor Response Over Time," *Journal of Human Resources*, Fall 1980, pp. 524-544.

> In the Seattle/Denver experiment, female household heads reduced hours by 25 percent, compared to 9 percent for husbands.

(a 60 percent increase); the unemployment of men increased nine weeks (a 27 percent increase).[27]

The negative income tax experiments also measured how people respond to different payment levels and benefit reduction rates. The studies found that:

- Increases in grants decreased the number of hours participants worked, particularly female household heads.

- Unexpectedly, higher benefit reduction rates (those that reduced benefits the most as participants earned income) promoted increases in work among female household heads.

Researchers suggested that women may have worked more hours to make up for the greater loss of income attributable to high benefit reduction rates. In general, however, grant levels affected participant work behavior more strongly than benefit reduction rates did.

Overall, the negative income tax experiments showed that, as one author noted, "good deeds are not costless."[28] Generous welfare programs produce some negative effects on participant work effort.

b. *Effects of the AFDC Program on Work Behavior*

While the negative income tax experiments provided data about the work effects of a proposed, more generous welfare system, there is considerably less evidence about the effects of the current AFDC system. Overall, the most reliable of the studies suggest that:

- A $1,000 annual increase in grant levels would cause eligible recipients to decrease their work effort by 90 to 120 hours per year.

- There is no consensus that benefit reduction rates affect the work behavior of people eligible for AFDC in a predictable way. The benefit reduction rate is the rate at which recipients lose welfare benefits as their earnings increase. Some studies indicate that high benefit reduction rates discourage work, while others suggest that high rates encourage work.[29]

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[27]Philip K. Robins, Nancy Brandon Tuma, and K.E. Yaeger, "Effects of SIME/DIME on Changes in Employment Status," *Journal of Human Resources*, XV, No. 4, 1980.

[28]Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," paper presented in September 1986, p. 32.

[29]Sheldon Danziger, Robert Haveman, and Robert Plotnick, "How Income Transfer Programs Affect Work, Savings, and the Income Distribution: A Critical Review," *Journal of Economic Literature*, September 1981, pp. 993-995.

c. *Effects of Federal Changes on Recipient Employment*

The federal Omnibus Budget and Reconciliation Act of 1981 changed the AFDC benefit formula and eligibility criteria more dramatically than any other factor in recent years. Designed to save tax dollars and reduce welfare dependence, the federal changes included the following:

-- *Gross income screen.* Families with gross monthly incomes above 150 percent of each state's "standard of need" became ineligible for benefits. (In Minnesota, the current monthly standard of need for a single mother with one child is $434).

-- *Redefinition of "net income".* Prior to the federal changes, welfare agencies computing a recipient's net income disregarded the first $30 and one-third of the remaining earned income before subtracting allowable expense deductions for work and child care. After the federal changes, agencies computed the 30-and-one-third disregard after subtracting the expense deductions. The effect was that recipients lost more of their benefits if they worked.

The new federal provisions terminated about five percent of the nation's AFDC caseload, including 35 percent of those who worked.[30]

Several studies investigated the budget act's effect on work levels after its implementation in 1982. The studies found that:

- At least for the short-term, there is little evidence that the budget act created incentives for AFDC recipients not to work. It did not increase the tendency for recipients who worked prior to 1982 to become non-working recipients. The act increased the likelihood of both working and non-working recipients leaving the program, primarily because program eligibility was tightened.[31]

Some preliminary findings from national 1983-1985 data suggest the 1981 act had a delayed effect on work effort. The work levels of female household heads showed steady decreases during these years, despite an improved economy.[32]

In sum, the 1981 budget act did not produce short-term work disincentives for AFDC recipients, but the longer term effects remain in question. In the short term, working recipients terminated by the act continued working, rather than reducing their work effort in order to re-qualify for

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[30]Robert Moffitt and Douglas A. Wolf, "The Effect of the 1981 Omnibus Budget Reconciliation Act on Welfare Recipients and Work Initiatives in AFDC," June 1986 (unpublished), p. 2.

[31]Moffitt, "Evaluating the Effects of Changes in AFDC: Methodological Issues and Challenges," *Journal of Policy Analysis and Management*, Summer 1985, pp. 537-553. He notes that various research approaches confirm the lack of new work disincentives.

AFDC. While the act did not affect short-term work behavior, the studies indicate that it made former recipients worse off financially, reducing income and eliminating health insurance for many low-income families.[33]

D. WELFARE'S EFFECTS ON DEPENDENCY

Some people contend that welfare breeds a "culture of poverty," infusing the poor with undesirable attitudes and encouraging long-term welfare dependency. In this section, we review that contention (primarily in terms of the length of stay on welfare) and we discuss the factors that contribute to long-term use.

1. LENGTH OF STAY ON WELFARE: NATIONAL EVIDENCE

Welfare researchers employ various measures of AFDC dependency. One measure is the *length of continuous stay* on AFDC. This measure reflects a recipient's "spell" of AFDC participation, from the time of program entry to the time of exit. National research suggests two seemingly contradictory findings about the the length of continuous AFDC spells:

- Of all people who go on AFDC, about half stay on welfare continuously for two years or less. About one-seventh of all cases remain on AFDC continuously for more than eight years.

- At a given point in time, about half of all AFDC recipients are in the midst of continuous AFDC spells that will last at least eight years. About 15 percent of cases at a point in time are in the midst of spells lasting two years or less.[34]

To clarify how these findings are not contradictory, Figure 6.5 provides an illustration of these findings for 25 hypothetical, continuous spells of AFDC receipt. Of all 25 cases shown, about half received AFDC for two years or less. However, if one looks at the caseload at a point in time (for example, Point A), only two of the eleven active cases were in the midst of an AFDC spell two years or less. Thus, while most of the 25 hypothetical recipients between 1980 and 1987 are short-term recipients, there are relatively few short-term recipients at any single point in time.

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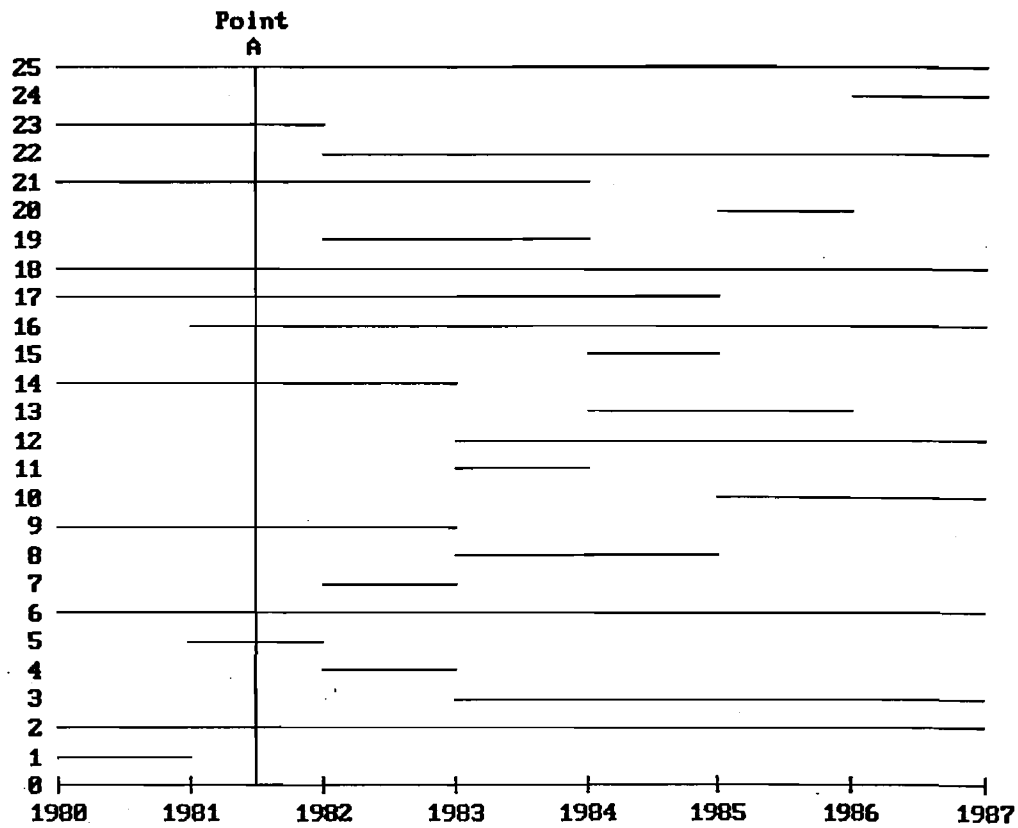
[33]Robert Hutchens, *The Effects of the Omnibus Budget Reconciliation Act of 1981 on AFDC Recipients: A Review of the Studies*, Institute for Research on Poverty, December 1984, p. 48.

[34]Ellwood, *Targeting "Would-Be" Long-Term Recipients of AFDC*, January 1986; June A. O'Neill *et al.*, *An Analysis of Time on Welfare*, June 1984; Bane and Ellwood, *The Dynamics of Dependence*, June 1983. The recipients examined in these studies used AFDC prior to the 1981 federal changes.

FIGURE 6.5

TIME SPENT ON WELFARE BY 25 HYPOTHETICAL RECIPIENTS
OVER A SEVEN-YEAR PERIOD



Although most AFDC recipients remain on the program continuously less than two years, studies show that:

- Individuals on AFDC for seven or more continuous years consume the majority of the AFDC program resources.

Nationally, just over 50 percent of AFDC spending goes to people on the program seven or more consecutive years. In contrast, people on AFDC two years or less consume about 14 percent of the program's resources.[35]

The length of a recipient's continuous stay on AFDC is a useful measure of welfare dependence. However, this measure does not fully reflect the duration of welfare participation since a recipient may have more than one stay on AFDC. According to a study using nationwide data:

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[35]Bane and Ellwood, *op. cit.*, pp. 11-12.

- Over 40 percent of AFDC recipients have more than one spell on AFDC.[36]

The study found that women who leave the AFDC program through marriage are almost as likely to return to AFDC as those who leave because their earnings increase. It is not uncommon for women to leave AFDC, enjoy earnings above the poverty level for a while, and return to AFDC at a later date.

Because many recipients have multiple spells of AFDC participation, the best measure of welfare duration is *the total time a recipient is on AFDC*. Studies using this measure report greater levels of welfare dependency than the single-spell data cited earlier. For example, whereas 48 percent of AFDC recipients stay on the program for less than two consecutive years, only 30 percent of recipients stay on AFDC less than two years of their lives. Figure 6.6 summarizes national findings on AFDC duration.

2. LENGTH OF STAYS ON WELFARE: MINNESOTA

In 1985, the Minnesota Department of Human Services studied the length of AFDC stays in the state. The department examined the *total time on AFDC* over an 86-month period for people entering the program in December 1977. As noted earlier, total time on AFDC is probably the best indicator of welfare duration. The department's study resembles the national study cited in the previous section, except that the department looked at cases for roughly a seven-year period as opposed to the national study's 15-year period. As a result, the Minnesota study somewhat understates the total time recipients spend on AFDC, particularly for the very long-term recipients. However, comparing the Minnesota study with the national study leads us to conclude that:

- Minnesota AFDC recipients appear to stay on welfare for shorter periods of time than the average U.S. recipient.

Table 6.4 compares the Minnesota and national data. Note the large proportion of Minnesota recipients who stayed on welfare two years or less during the seven years.

3. FACTORS THAT PREDICT LONG WELFARE STAYS

As discussed elsewhere in this report, the AFDC population is not homogeneous. The characteristics of recipients vary considerably, and how long they stay on AFDC also varies. If certain characteristics distinguish long-term from short-term recipients, there may be a rationale for targeting services to the people most vulnerable to long welfare stays. Three recent studies examined the characteristics that are linked with

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[36] Ellwood, *op. cit.*, p. xi.

FIGURE 6.6

TIME SPENT ON AFDC BY WELFARE RECIPIENTS: SUMMARY OF NATIONAL FINDINGS

Years on AFDC

Two Years or Less

- *48 percent* of people starting a welfare spell between 1968 and 1982 stayed on welfare two consecutive years or less. However, when counting multiple spells, *30 percent* of AFDC recipients during this period stayed on welfare for two years or less.

- At a given point in time, *15 percent* of AFDC recipients are in the midst of a spell that will last two or less years. However, *seven percent* of recipients at this point in time will spend two or less years on welfare in a 15 year period.

Three to Seven Years

- *35 percent* of people starting a welfare spell between 1968 and 1982 stayed on welfare three to seven consecutive years. However, when counting multiple spells, *40 percent* of AFDC recipients during this period stayed on welfare for three to seven years.

- At a given point in time, *36 percent* of AFDC recipients are in the midst of a spell that will last three to seven years. However, *28 percent* of recipients at this point in time will spend three to seven years on welfare in a 15 year period.

Eight or More Years

- *17 percent* of people starting a welfare spell between 1968 and 1982 stayed on welfare eight consecutive years or more. However, when counting multiple spells, *30 percent* of AFDC recipients during this period stayed on welfare for eight years or more.

- At a given point in time, *49 percent* of AFDC recipients are in the midst of a spell that will last eight years or more. However, *65 percent* of recipients at this point in time will spend eight or more years on welfare in a 15 year period.

Source: David T. Ellwood, *Targeting "Would-Be" Long-Term Recipients of AFDC*, January 1986. The data are from the 15-year Panel Study of Income Dynamics, a longitudinal study of 5,000 American families.

TABLE 6.4

TOTAL TIME ON AFDC:
A COMPARISON OF MINNESOTA AND NATIONAL STUDIES[a]

National Data		Minnesota Data	
Total Time on AFDC Over a 15-Year Period	Percent of Recipients	Total Time on AFDC Over an 86-Month Period	Percent of Recipients
1 to 2 Years	30.0%	1 to 2 Years	55.7%
3 to 7 Years	40.0	3 to 7 Years	37.0
8 Years or More	30.0	More Than 7 Years	7.4

Sources: National data are from an analysis of Panel Study on Income Dynamics (PSID) data (1968-1982) by David T. Ellwood in *Targeting "Would-Be" Recipients of AFDC*, January 1986. Minnesota data are from a Minnesota Department of Human Services analysis of cases entering AFDC in 1977, reported in *Use of AFDC By Single Parents: Patterns and Factors*, March 1985.

[a]Note that the national study examined the welfare stays of each individual over 15 years, while the Minnesota study tracked cases for just over seven years. As a result, the Minnesota study *understates* long-term welfare dependence. Minnesota's data also *overstates* the percentage of recipients on welfare for two years or less, but probably not to a large degree (the proportion of short-term recipients who return to welfare more than seven years after entering AFDC is relatively small).

long-term AFDC participation.[37] Appendix C summarizes the findings of the three studies.

We found:

- The three recent studies of factors predicting long-term dependence agree that long-term recipients tend to be never-married, poorly-educated, non-white, or have little work experience. In

[37]Bane and Ellwood, *op. cit.*; O'Neill *et al.*, *op. cit.*; Ellwood, *op. cit.*, 1986. The first two studies defined duration in terms of months or years of continuous AFDC receipt; the third defined duration in terms of total time on AFDC over a 15-year period, including multiple spells of AFDC receipt. While all three studies provide important insights, the latter serves as the primary basis for our conclusions, due to its more valid definition of AFDC duration and its greater focus on practical targeting strategies.

addition, the most reliable of the studies finds dependence greatest among recipients who begin AFDC under the age of 22 or who begin AFDC with very young children.

Perhaps the most powerful predictor of AFDC duration is the marital status of recipients before they enter the program. As the most reliable study concludes: "Indeed, if one were to select a single variable for targeting on the basis of welfare duration, marital status would be the clear choice."[38] Never-married women are two to three times more likely than divorced women to stay on welfare more than 10 years.[39]

Studies also consistently show that recipients without recent work experience or without high school degrees stay on AFDC longer. Lack of education and work history seem to be especially predictive of long-term dependence among older recipients. Among women who begin receiving AFDC at age 25 or older, about one-fourth of those who are high school dropouts with no recent work experience will stay on AFDC more than nine years.[40]

Some evidence suggests that women entering AFDC with pre-school children stay on welfare for longer-than-average periods. However, many of these women have never been married, and this characteristic (rather than the presence of very young children) largely explains their long AFDC stays. In fact, one study found that women with young children are more likely than other women to leave AFDC because of earnings increases.[41]

Non-whites stay on AFDC longer than whites, and race affects length of stay even when controlling for other variables such as education and work history. Non-whites' lower probability of leaving AFDC through marriage probably explains this finding.

There remains some question about the degree of welfare dependency among teen mothers. One national study reports that teens stay on welfare fewer consecutive years than the average recipient. However, this study did not examine whether they returned to welfare at a later date.[42] The more recent Ellwood study suggests that younger recipients (particularly those under age 22) tend toward longer AFDC stays, and this seems consistent with the more general findings about never-married AFDC recipients.

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[38]Ellwood, *op. cit.*, 1986, p. 48. The reason for not holding other variables constant is that AFDC target groups will likely be defined on the basis of one or two characteristics, with other recipient characteristics not held constant.

[39]*Ibid.*, p. xii.

[40]*Ibid.*, p. 50.

[41]Bane and Ellwood, *op. cit.*, 1983, p. 44.

[42]O'Neill *et al.*, *op. cit.*, p. 12.

The studies found that, when other variables are held constant, recipients in high-benefit states averaged longer stays on welfare than recipients in low-benefit states.[43] However, these findings do not necessarily show that recipients in high-benefit states behave differently than other recipients. High-benefit states offer AFDC to people with higher earnings than low-benefit states. Thus, a woman earning $400 per month finds herself eligible for AFDC in Minnesota but ineligible in a low-benefit state. Perhaps her "dependence" on welfare in Minnesota reflects state eligibility policy, not her attitudes or behavior.

To determine the difference between long-term and short-term users of AFDC in Minnesota, we independently reviewed the characteristics of several thousand people on AFDC in Minnesota between 1983 and 1986. As discussed in Chapter 5, we analyzed the characteristics of recipients who were part of Minnesota's federal Quality Control sample during that four-year period. We found that:

- Minnesota's recipients on AFDC for at least eight years are more likely to have no recent work experience and less education than recipients on AFDC for two years or less.

Figures 5.3 and 5.4 compare the education and work history of short-term and long-term Minnesota recipients. We also found that long-term recipients tended to have smaller families than short-term recipients--this was unexpected. A possible explanation is that AFDC two-parent families (who tend to have larger families than AFDC single parents) usually stay on AFDC for shorter periods.

In 1985, the Minnesota Department of Human Services analyzed the characteristics of long-term welfare recipients who started AFDC in 1977. In contrast to our study of the entire AFDC caseload, the department's study focused only on single-parent AFDC families. The department found that long-term recipients had larger families, more out-of-wedlock births, and were slightly less likely to be high school graduates than the average recipient.[44]

4. THE "CULTURE OF POVERTY" THEORY

In the preceding sections, we defined welfare "dependency" in terms of recipients' length of stay on AFDC. While this quantitative measure of dependency provides extremely useful insights, we recognize that many

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[43]Simple correlations of state AFDC grant levels with average recipient AFDC spells in those states do not yield the same conclusion. For example, Minnesota (with AFDC benefits among the highest in the nation) ranks 32nd among the states in the percentage of recipients who stay on AFDC two or more years. However, such correlations do not control for other variables, as do the studies we cite.

[44]Minnesota Department of Human Services, *Use of AFDC by Single Parents*, pp. 13-16.

people have a more qualitative notion of dependency. Specifically, some critics believe that welfare causes intelligent, ambitious, creative people to lose their desire to be self-sufficient. Prominent welfare observers such as Ken Auletta and Blanche Bernstein think that welfare may breed debilitating values, attitudes, and psychological attributes. The "culture of poverty" viewpoint suggests that, in addition to lacking money, the poor lack the proper motivations and aspirations to escape poverty. These attitudes might be transmitted from parents to children, thus causing families to be welfare-dependent for generations.

The "culture of poverty" theory is plausible. It is possible that participation in a welfare program changes recipients' attitudes and causes self-doubts that hinder their chances of leaving welfare. However, in our review of existing research, we found that:

- There are no conclusive studies showing the existence of pathological dependency caused by welfare, nor have studies shown that AFDC has specific effects on recipients' attitudes.

This topic has not been the subject of extensive study, but most of the studies that have been done fail to support the "culture of poverty" theory. It remains possible that future research will find links between AFDC and the values of welfare recipients. Recipients themselves frequently note the demeaning, stigmatizing nature of welfare, but this is not evidence that welfare causes fundamental changes in recipients' values and attitudes. While many of the poor exhibit low motivation in recent studies, research usually links this to past events, not the receipt of welfare. We also found little support for the notion that welfare parents pass on attitudes about work and family roles to their children, who, as a result, become recipients themselves.[45]

In sum, evidence supporting the "culture of poverty" theory remains largely anecdotal. Studies do show that recipients' probabilities of leaving welfare decline over time. Even when controlling for the characteristics of recipients, one study found a sharp drop in the likelihood of leaving welfare after the first year on AFDC.[46] While this decline is consistent with the "culture of poverty" theory, the authors' preliminary research indicated that welfare duration had little effect on recipient attitudes. Welfare might *sustain* an "underclass," but research has not shown that it affects their attitudes and values.

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[45]Mary Corcoran *et al.*, "Myth and Reality: The Causes and Persistence of Poverty," *Journal of Policy Analysis and Management*, 1985, Vol. 4, No. 4; Duncan and Hoffman, *op. cit.*; Susan Maizel Chambre, "Role Orientations and Intergenerational Welfare Use," *Journal of Contemporary Social Work*, January 1985; Martha S. Hill and Michael Ponza, "Poverty and Welfare Dependence Across Generations," *Economic Outlook USA*, Summer 1983.

[46]O'Neill *et al.*, *op. cit.*, p. 15.

Work Incentives: Benefit Reduction Rates

Chapter 7

As indicated in Chapter 6, much of the debate surrounding the issue of AFDC reform concerns the question of work incentives: does the current AFDC system encourage people to work? If not, how can it be changed so that it does provide incentives for work?

We used a computer model which simulates the welfare and tax system in Minnesota and in other states.[1] With the model, we were able to measure the changes in disposable income that would result from changes in earnings. We used these results to calculate the marginal tax, or benefit reduction, rates faced by AFDC recipients as they make decisions about whether, and how much, to work.

We use the term "benefit reduction rate" to describe the rate at which AFDC recipients lose benefits when their earnings increase. For example, a single-parent, two-child family with $2,000 in annual earnings is eligible for $6,128 in AFDC benefits in Minnesota, for a total of $8,128. If the family's earnings increase to $3,000, AFDC benefits fall to $5,440, leaving total income of $8,440. Instead of increasing by $1,000, disposable income increases only $312. The benefit reduction rate in this case equals [1 - ((8440-8128) / 1000)], or 69 percent. That is, 69 percent of the increase in earnings is offset by reduced benefits.

Next, we compared Minnesota's work incentives with those in neighboring states to determine whether recipients in other states face different work decisions. Finally, we simulated various changes in the AFDC system to see how they would affect disposable income and work incentives.

We use a family configuration of a single parent, one child under six, and one child over six to test the effects of various assumptions about

[1]The "MAPSIT" computer model which we used for this analysis was originated by Gordon H. Lewis, Carnegie-Mellon University, and Richard Jay Morrison, Canadian Department of Health and Welfare. We modified the model to reflect current benefit and tax programs for the U.S., Minnesota, Iowa, North Dakota, South Dakota, and Wisconsin.

costs and benefits of the current AFDC program. Then, in a separate discussion later in the chapter, we describe how families of different sizes are affected.

The computer model we used in our analysis enabled us to simulate the interactions of the various benefit and tax programs that affect AFDC recipients in Minnesota and other states. The interactions are complex, with changes in any one program often affecting several others. With the model, we have been able to determine the actual financial benefits and costs faced by AFDC recipients with various characteristics. This information should prove useful to legislators and others in determining the likely effects of changes to the current AFDC program.

It is important to note that the computer model can only simulate financial benefits and costs of working. However, people may base decisions about work on factors other than financial grounds, such as a desire for independence or greater self-esteem. Alternatively, people may choose not to work away from home if they place a high value on time spent with their children, or if they are only able to find very difficult or boring work.

People also may not have all of the information that the model has. That is, AFDC recipients may not know exactly how their disposable income will be affected if they increase their earnings by some amount, and so may make different decisions than what the model would suggest. For these reasons, results from our simulations should be interpreted only as guides for policymakers and not as definitive answers to questions about work incentives.

A. CALCULATING DISPOSABLE INCOME

Disposable income is the cash available to a family to pay for shelter, clothing, transportation, child care, additional food, and other living expenses. In our model, disposable income is made up of several components, which could be written as this equation:

- Disposable Income = Earned Income + Unearned Income + EITC + AFDC + Food Stamps + Medical Assistance - Federal Income Tax - State Income Tax - FICA Taxes

The model uses a number of other variables which are not direct additions to or subtractions from income, but which affect disposable income because they are used to compute figures in the above equation. Family size, child care and shelter expenses, and the "30 and 1/3" income deduction for AFDC are the most important of those variables. We briefly describe below the calculation of disposable income through the equation.

The "30 and 1/3" deduction is designed to encourage AFDC recipients to work. Eligible recipients are permitted to deduct the first $30 of their earnings, and one-third of the rest, before their AFDC grant is calculated. The full deduction is only available for four months, and the $30 portion is available for an additional eight months. After the first year, no further deduction is available.

For families with earned income, the Earned Income Tax Credit (EITC) is a "negative income tax" on the federal return, increasing disposable income for heads of households with earnings up to $11,000. The value of the EITC is about 11 percent of earnings, up to a maximum of $550. For individuals with low earnings, this can represent a substantial addition to disposable income. In determining AFDC eligibility and grant level, the EITC is added to earned income before the "30 and 1/3" deduction is taken. This somewhat reduces the amount of the AFDC benefit.

AFDC, food stamps, and Medical Assistance benefits are also additions to disposable income. Although food stamps do not count as income when AFDC benefits are calculated, the reverse is true--AFDC benefits are considered income when eligibility for food stamps is determined. This procedure causes food stamp benefits to increase as AFDC declines. On the other end of the continuum, families may continue to be eligible for food stamps even when their earnings are too high for AFDC.

In addition to wages from working, a family may receive unearned income, such as interest, unemployment compensation, pensions, or insurance settlements. Unearned income is treated differently than earnings when calculating AFDC benefits. Deductions are taken from earnings for work and child care expenses, and sometimes the "30 and 1/3" deduction is also taken. Unearned income, on the other hand, is subtracted dollar for dollar from the AFDC benefit.

- Thus, a three-person family with $5,000 in earnings could be eligible for over $4,000 in AFDC benefits, while the same family with $5,000 in income from disability payments would receive less than $1,400 in AFDC.

Subtractions from disposable income include social security (FICA) payroll taxes, and state and federal income taxes. For people with low incomes, FICA taxes are the most important of these, since most will pay little or no income tax. For 1986, FICA taxes are equal to 7.15 percent of earned income, a fairly large amount for low-income individuals.

B. VALUING IN-KIND BENEFITS

While most of the components of disposable income have straightforward cash values, food stamps and Medical Assistance are not so easily valued. Because they are "in-kind" benefits, rather than cash, recipients are not free to spend them as they choose. Economists suggest that, generally, recipients of in-kind benefits would prefer an equivalent amount of cash, and value the in-kind benefit at less than its cost to the provider.

A number of methods for determining the real value of in-kind benefits have been suggested. We have chosen to value food stamps at their face value. Studies indicate that most families who receive food stamps spend all of them each month, and often spend additional cash for food. Thus, even if given cash instead of food stamps, those families would likely spend the same amount for food. For individual families, the face value of food stamps appears to be a good indicator of their real value.

Valuing Medical Assistance benefits presents a more difficult problem. First, we cannot estimate how much service an individual family uses because the amount of the benefit is not calculated by a formula such as the one used for AFDC. Second, low-income families often postpone some types of medical care in favor of more basic necessities such as food and shelter. We therefore do not know how much medical care a family would choose to buy if it could afford any amount. We do know that low-income families who do not receive public assistance use far less medical service than those who receive Medical Assistance.

We have used the "market value" method to assign a value to the Medical Assistance benefit, as suggested by the Census Bureau in a technical paper that lists the average Medicaid payments per person, by state, for 1984.[2] We inflated the 1984 amounts to 1986 values, using the medical service portion of the Consumer Price Index.[3] For Minnesota in 1986, the value of the average medical benefit for an adult was $1,032 per year; for a child it was $481.

C. THE EFFECT OF EARNINGS ON DISPOSABLE INCOME

According to the model, disposable income rises as earnings increase. For families with relatively low earned income, AFDC benefits gradually decline as earnings rise. In addition, food stamp benefits make up some of the difference, so that disposable income continues to rise even as AFDC falls. Only at the point where AFDC is cut off completely does disposable income fall when earnings rise.

Table 7.1 shows disposable income for a three-person family, under different assumptions about child care costs, shelter costs, unearned income, "30 and 1/3" eligibility, and earned income. The table shows how a change in any of these factors affects disposable income, and illustrates the complex interaction between the components of disposable income.

The second column in Table 7.1 shows the change in disposable income when a family is no longer eligible for the "30 and 1/3" deduction. Disposable

[2]U.S. Bureau of the Census, Technical Paper 55, "Estimates of Poverty Including the Value of Noncash Benefits: 1984," U.S. Government Printing Office, Washington, D.C., 1985.

[3]U.S. Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers, Minnesota and St. Paul, Medical Care.

TABLE 7.1

COMPARISON OF DISPOSABLE INCOME UNDER VARYING COST ASSUMPTIONS

	Disposable Income When:			
Earned Income	Shelter Costs = $3,000 Unearned Income = $0 "30&1/3" Eligible	Shelter Costs = $3,000 Unearned Income = $0 Not "30&1/3" Eligible	Shelter Costs = $1,000 Unearned Income = $0 "30&1/3" Eligible	Shelter Costs = $3,000 Unearned Income = $1,500 "30&1/3" Eligible
$ 0	$ 9,466	$ 9,466	$ 9,348	$ 9,466
1,000	10,296	10,296	10,247	10,296
2,000	10,985	10,769	10,967	10,985
3,000	11,436	11,173	11,384	11,436
4,000	11,887	11,577	11,802	11,837
5,000	12,338	11,981	12,219	12,338
6,000	12,644	12,240	12,508	12,581
7,000	12,692	12,231	12,551	12,599
8,000	12,709	12,194	12,571	12,616
9,000	12,727	10,186	12,591	10,828
10,000	12,744	10,633	12,611	11,262
11,000	11,015	11,015	10,971	11,811
12,000	11,519	11,519	11,519	12,204

Source: Program Evaluation Division analysis.

income is considerably lower for families earning between $2,000 and $9,000, when AFDC eligibility ends for families without the deduction. DHS quality control data show that an average of about 37 percent of employed AFDC recipients are eligible for the "30 and 1/3" deduction.

In 1986, AFDC recipients paid shelter costs ranging from less than $500 per year to more than $9,000 per year. In most of our calculations, we used $3,000 for the shelter cost figure, a number which is about the median amount actually paid. As the table shows, if shelter costs were reduced to $1,000, disposable income would decline. However, disposable income would fall by less than the reduction in shelter costs, so the family would be better off with the lower costs.

Data from the DHS quality control file show that about 28 percent of full-time and 33 percent of part-time employed recipients used the child care disregard. We have included child care costs of about $55 per week, per child. This amount is equivalent to the cost of moderately priced licensed day care. Because the amount of the AFDC child care disregard is only $40 per child per week, families in our example will be using the full amount. Child care costs higher than the amount of the disregard do not affect disposable income as it is computed by the model, although they do, of course, reduce the money available to a family for other costs.

In 1983, the most recent year for which we have data, about six percent of Minnesota AFDC recipients had unearned income; the average amount of that income was $270 per month.[4] Although most of our examples were computed with no unearned income, we include one case with $1,500 per year in unearned income, to demonstrate the effect it would have on disposable income. Table 7.1 shows that, up to the point where earnings reach $6,000, a family is no better off with $1,500 in unearned income than without, because the AFDC grant is reduced by the entire amount of the unearned income. From $6,000 to $10,000, the family is actually worse off when it has some unearned income because, in addition to declining AFDC and food stamp grants, the Earned Income Tax Credit is reduced by unearned income.

At a certain earning level a family becomes ineligible for AFDC benefits and, consequently, for Medical Assistance benefits as well. (Although Medical Assistance may be extended for up to fifteen months beyond the cut-off of AFDC eligibility, only a few families can meet the requirements for extension.) The point at which AFDC is cut off varies by family size and other factors, but is slightly over $10,000 for three-person families who are eligible for the "30 and 1/3" deduction. This means that if the head of a three-person family increases her earnings from $10,000 to $11,000 per year, the family's disposable income actually falls because of the loss of AFDC and Medical Assistance. Yearly earnings must increase to over $14,500 before disposable income reaches its previous level.

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[4]U.S. Department of Health and Human Services, Family Support Administration, Office of Family Assistance, Office of Policy and Evaluation, "Recipient Characteristics and Financial Circumstances of AFDC Recipients: 1983."

This disposable income loss may especially affect decisions regarding part-time versus full-time work. For example, a single mother who earned $6,000 per year working part-time would have earnings, AFDC, food stamps, and Medical Assistance benefits totalling $12,644. If she doubled her work hours to earn $12,000 per year, her disposable income would fall to $11,519. In addition to the decline in disposable income, she would have fewer hours to spend with her children or for household work.

Because we are including the average cost of Medical Assistance benefits in the calculation of disposable income, comparisons between disposable income with and without public assistance must be made with caution. If the family actually used no medical benefits, or if the employer provided medical benefits equal in value to Medical Assistance, then the family would be better off with $12,000 per year in earnings than with $11,000. Neither case seems likely, however, and the family is probably somewhat worse off when Medical Assistance eligibility ends.

Our analysis shows how disposable income can vary greatly for families in similar circumstances because of the benefit formulas. It also illustrates how the loss of disposable income when earnings rise above the AFDC cutoff could discourage people from increasing their work efforts.

D. BENEFIT REDUCTION RATES

The "benefit reduction rate" is a measure of the change in disposable income as earned income changes. It reflects changes in benefits as well as changes in taxes. Each tax or benefit program has its own benefit reduction rate, which changes at different levels of earnings. For families with income under $6,500 per year, AFDC, food stamp, and Medical Assistance benefits make up more than half of disposable income, and are the principal components of the benefit reduction rate. For families with incomes above the point where AFDC ends, income taxes are more important.

Table 7.2 illustrates the cumulative nature of benefit reduction rates. As the table shows, when earnings increase from $2,000 to $4,000 per year, disposable income increases by only $902. About 7 percent of the difference is due to increased FICA taxes, and 69 percent is caused by decreased AFDC benefits. A 10 percent increase in food stamps and an 11 percent increase in the EITC offset some of the losses. Disposable income rises by only 45 percent of the increase in earnings, for a benefit reduction rate of 55 percent.

We calculated benefit reduction rates at different levels of earned income. We found that, over a fairly broad range of income, AFDC recipients face benefit reduction rates of almost 100 percent on additional earnings. In addition, at the point where AFDC benefits are cut off, benefit reduction rates are well over 100 percent.

There is no definite point at which benefit reduction can be divided into "high" and "low" rates. However, by comparing the benefit reduction rates

TABLE 7.2

CALCULATION OF BENEFIT REDUCTION RATES

	Cumulative Benefit Reduction Rates When Earnings Increase from $2,000 to $4,000							
	Benefit Changes			Tax Changes				
Earnings	AFDC	Food Stamps	MA	State Tax	Federal Tax	FICA	EITC	Disposable Income
$2,000	$6,128	$786	$1,994	$ 0	$ 0	$ 143	$220	$10,985
4,000	4,751	988	1,994	0	0	286	440	11,887
Change	-$1,377	$202	$ 0	$ 0	$ 0	-$ 143	$220	$ 902
Benefit Reduction Rate	69%	-10%	0%	0%	0%	7%	-11%	55%
	When Earnings Increase from $20,000 to $25,000							
$20,000	$ 0	$ 0	$ 0	$1,185	$1,597	$1,430	$ 0	$15,789
25,000	0	0	0	2,016	2,681	1,788	0	18,514
Change	$ 0	$ 0	$ 0	-$ 831	-$1,084	-$ 358	$ 0	-$ 2,725
Benefit Reduction Rate	0%	0%	0%	17%	22%	7%	0%	46%

Source: Program Evaluation Division analysis.

faced by low-income families with those faced by families with higher incomes, we can make a subjective judgement about the rates. Because our model was designed to aid in the analysis of disposable income for low-income families, it does not include many of the tax deductions which benefit principally higher income families. As a result, the benefit reduction rates we calculate for higher income families will tend to be higher than those they actually face.

We found that:

- For families with incomes under $3,000 per year, benefit reduction rates were under 50 percent.

- In the $3,000 to $7,000 range, rates were somewhat higher--55 to 70 percent.

- The highest benefit reduction rates were faced by families with earned income between $7,000 and $11,000. At this level of earned income, benefit reduction rates were over 90 percent.

For families in this income range, for every dollar earned, there is a comparable loss in benefits. As Table 7.3 shows, between $7,000 and $10,000 yearly earnings, additional income is taxed at rates of 95 to 98 percent. This means that, for an extra $100 earned, disposable income increases by only $2 to $5. The rest is lost as AFDC benefits decline in response to increased earnings. At a wage rate of $4.25 ($8,500 per year for full-time work) an employee would need to work almost 24 hours to increase disposable income by $2 to $5. In contrast, we found that middle and upper income families faced marginal tax rates of around 50 percent.

Based on this comparison, it seems reasonable to describe the benefit reduction rates faced by families with earnings between $3,000 and $11,000 as "high". Those families give up a much larger percentage of increased earnings than do families with higher earned income, particularly because the latter have more opportunities to decrease their benefit reduction rates with various income tax deductions.

- Welfare recipients may face work-related costs in addition to those included in the model. If the costs rise as earnings rise, then benefit reduction rates for these families are even higher than those discussed above.

Monthly child care deductions are limited to $160 per child, and work expenses are limited to $75. Any expense above those amounts reduces disposable income for the employed AFDC recipient. According to the state Department of Jobs and Training, in January 1986 the median cost for licensed day care in Minnesota ranged from $187.50 to $412.50 per month.[5] Thus, even relatively inexpensive day-care would cost $330 per year above the amount of the disregard, and more expensive care could add over $3,000 per year to the working recipient's expenses.

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[5]Minnesota Department of Jobs and Training, "Child Care Sliding Fee Program Median Weekly Provider Fees," January 1986.

TABLE 7.3

BENEFIT REDUCTION RATES FOR INCREASES IN EARNED INCOME[a]

Earnings	Disposable Income	Benefit Reduction Rate
$ 0	$ 9,466	
1,000	10,296	17%
2,000	10,985	31
3,000	11,436	55
4,000	11,887	55
5,000	12,338	55
6,000	12,644	69
7,000	12,692	95
8,000	12,709	98
9,000	12,727	98
10,000	12,744	98
11,000	11,015	273
12,000	11,519	50

Source: Program Evaluation Division analysis.

[a]Table reads "as earnings increase from $1,000 to $2,000, 31 percent of the increase is lost to taxes or decreased benefits."

E. EFFECTS OF FAMILY SIZE ON DISPOSABLE INCOME

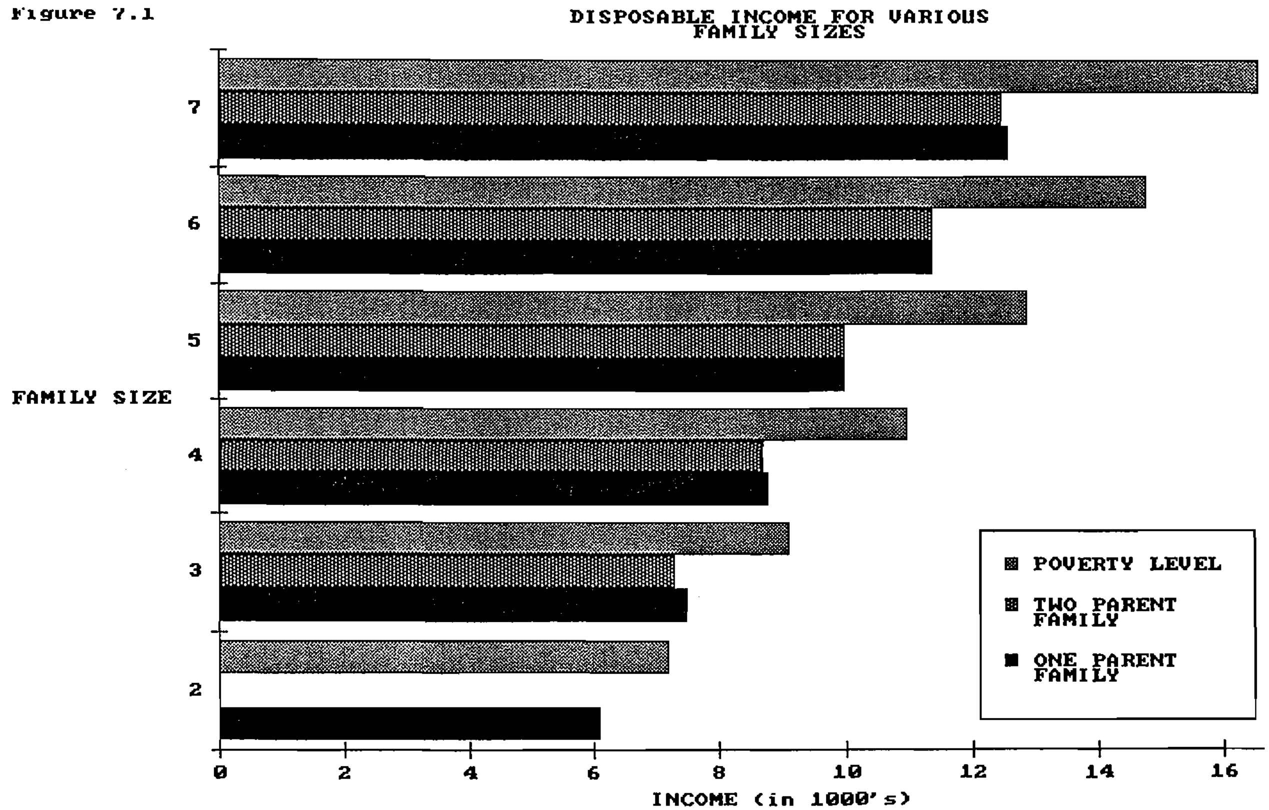
We compared disposable incomes available to families of different sizes with no earned income. We considered one- and two-parent families of up to seven members. We found:

- The AFDC and Food Stamp programs provide a smaller proportion of a poverty-level income for large families than for small families.

- For all family sizes, two-parent families receive slightly less income from the AFDC program than one-parent families.

Figure 7.1 shows the relationship between a poverty-level income and disposable income for families of different sizes. As the figure shows, a single-parent, one-child family with no earned income is eligible for AFDC and food stamps valued at $6,077, 83.8 percent of the poverty-level income of $7,248. In contrast, a single parent with six children is eligible for AFDC and food stamp benefits of $12,557--75.4 percent of a poverty-level income for a seven-person household.

Figure 7.1



DISPOSABLE INCOME FOR VARIOUS FAMILY SIZES
FAMILY SIZE
7
6
5
4
3
2
0
2
4
6
8
10
12
14
16
INCOME (in 1000's)
POVERTY LEVEL
TWO PARENT FAMILY
ONE PARENT FAMILY

Two-parent households which qualify for AFDC benefits are slightly worse off than single-parent households of the same size. For example, a two-parent, two-child household would receive $8,651 in AFDC and food stamps--78.6 percent of a poverty-level income of $11,004 for a four-person household. The poverty level is the same for a single parent with three children, but that household is eligible for 79.8 percent of a poverty-level income, or $8,785 in benefits. The difference between one- and two-parent households occurs because in Minnesota a lower standard of need is used for a second parent than for an additional child.

Larger families are often believed to incur lower costs of living per person than smaller families. The lower costs, also known as economies of scale, are available because larger families can take advantage of "economy size" packages when buying groceries and other goods, and because a larger family may not require proportionately more housing than a smaller family. The federal poverty guidelines are computed taking economies of scale into account. The poverty level for a two-person household is equal to $3,624 per person, whereas the poverty level for a seven-person household equals only $2,378 per person.

- Because economies of scale are already accounted for in computing the poverty guidelines, Minnesota's lower per-person standard of need for larger families is, in effect, double-counting the economies.

At a minimum, this practice probably removes the possibility of any financial reward for increasing family size. On the other hand, it may cause severe hardship to larger families. The effects of the double-counting may be reflected in the fact that fewer than twenty percent of AFDC households in Minnesota include four or more members.

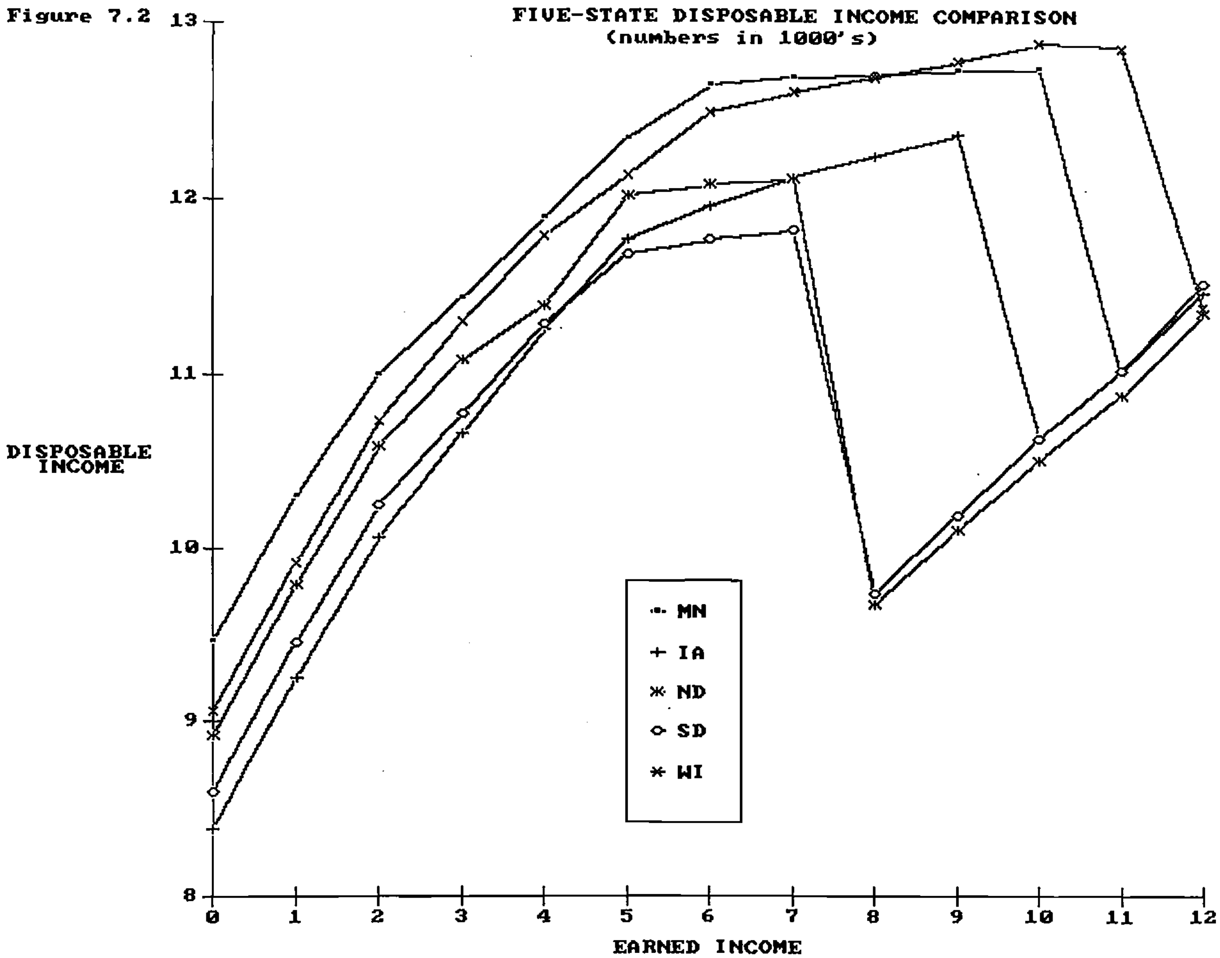
F. THE FINANCIAL BENEFITS OF WORKING: COMPARISONS TO OTHER STATES

1. THE EFFECT OF EARNINGS ON GRANT LEVELS AND DISPOSABLE INCOME

We compared the grant levels and benefit reduction rates in Minnesota with those in our surrounding states -- Iowa, North Dakota, South Dakota, and Wisconsin. We used the same computer model which was used to simulate Minnesota's program, but tailored it to reflect each state's AFDC and tax system. In the five-state area, Minnesota is second only to Wisconsin in the level of AFDC payments available. For a three-person family with no other income, Minnesota pays benefits of $6,384 per year. Wisconsin pays slightly more--$6,538 per year. In the other three states, the same family would be eligible for about $1,800 to $2,000 less per year.

As Figure 7.2 shows, when earnings increase for AFDC recipients, the grant level differences between states remain. In addition, AFDC eligibility ends at a lower level of earnings in some states than in higher-benefit states. In North and South Dakota, the lowest-benefit states of the five, eligibility ends when earnings approach $7,600 per year. Recipients in

Figure 7.2



FIVE-STATE DISPOSABLE INCOME COMPARISON
(numbers in 1000's)
DISPOSABLE INCOME
EARNED INCOME
MN
IA
ND
SD
WI
13
12
11
10
9
8
0
1
2
3
4
5
6
7
8
9
10
11
12

Iowa continue to be eligible until earnings reach $9,600 per year, and in Wisconsin, families with earnings up to $11,700 remain eligible. Minnesota is again second to Wisconsin, with eligibility continuing up to about $10,100 in yearly earnings.

Another major difference between the states is in their treatment of two-parent families. Neither North nor South Dakota has an unemployed parent program; in those states, low-income, two-parent families are eligible only for food stamps. In Iowa and Wisconsin, payments are based solely on the number of persons in the family, so that a one-parent, two-child family is treated the same as a two-parent, one-child family. Minnesota uses a special standard for a second parent, which results in a slightly lower grant for a two-parent family than for a single-parent family of the same size.

When the value of food stamps is added to the AFDC payments, the disposable income differences between the states become somewhat smaller. In the Food Stamp program, which is a federal program, the amount of benefits for a given income level does not vary from state to state. Because the amount of the food stamp benefit depends partially on the level of the AFDC grant, recipients in states with lower AFDC payments receive relatively higher food stamp benefits. As Table 7.4 shows, when AFDC and food stamps are combined, disposable income for a family with no other income ranges from $6,377 in South Dakota to $7,557 in Wisconsin. Minnesota is second highest, with disposable income of $7,472 per year.

2. COMPARISON OF BENEFIT REDUCTION RATES

Like AFDC grant levels, benefit reduction rates also differ among the five states. We studied two income ranges which might be relevant for AFDC recipients who became employed. We calculated the benefit reduction rate when earnings increased from $0 to $6,500--approximately the equivalent of full-time, minimum wage employment. And we considered the rate if earnings went from $0 to $12,000, a wage which might be earned in a more skilled position. For each state, we calculated the benefit reduction rate for both the AFDC grant alone and for the entire package of assistance and taxes.

We found that, over these income ranges, benefit reduction rates for AFDC alone were relatively low. For an increase in earnings from $0 to $6,500, rates ranged from 40 percent in Iowa to 53 percent in Minnesota, North Dakota, and South Dakota. In Wisconsin, the rate was 45 percent. For an increase in earnings from $0 to $12,000, benefit reduction rates were 37 percent in North and South Dakota, 38 percent in Iowa, 53 percent in Minnesota, and 54 percent in Wisconsin.

When we calculated benefit reduction rates for the entire assistance and tax package, we found that the rates were quite close to those for AFDC alone when earnings increased from $0 to $6,500. The rates were 44 percent in Iowa, 46 percent in Wisconsin, 50 percent in Minnesota, and 51 percent in North and South Dakota. For an increase in earnings from $0 to $12,000, rates were considerably higher. Iowa again had the lowest rate

TABLE 7.4

FIVE-STATE COMPARISON OF BENEFIT AND DISPOSABLE INCOME LEVELS

	Earned Income												
	$ 0	$1,000	$2,000	$3,000	$4,000	$5,000	$6,000	$7,000	$8,000	$9,000	$10,000	$11,000	$12,000
MINNESOTA													
AFDC	$6,384	$ 6,384	$ 6,128	$ 5,440	$ 4,751	$ 4,063	$ 3,388	$ 2,554	$ 1,774	$ 993	$ 213	$ 0	$ 0
Food Stamps	1,088	880	786	887	988	1,088	1,140	1,156	1,147	1,138	1,129	865	581
Disposable Income	9,466	10,296	10,985	11,436	11,887	12,338	12,644	12,692	12,709	12,727	12,744	11,015	11,519
IOWA													
AFDC	$4,587	$ 4,587	$ 4,490	$ 4,016	$ 3,542	$ 2,986	$ 2,311	$ 1,676	$ 1,083	$ 490	$ 0	$ 0	$ 0
Food Stamps	1,897	1,721	1,588	1,625	1,662	1,681	1,625	1,551	1,458	1,365	1,225	865	581
Disposable Income	8,395	9,251	10,060	10,662	11,263	11,765	11,962	12,121	12,241	12,361	10,633	11,019	11,467
NORTH DAKOTA													
AFDC	$4,452	$ 4,452	$ 4,324	$ 3,668	$ 2,681	$ 2,345	$ 1,456	$ 622	$ 0	$ 0	$ 0	$ 0	$ 0
Food Stamps	1,958	1,781	1,663	1,782	2,049	1,970	2,010	2,025	1,945	1,585	1,225	865	581
Disposable Income	8,925	9,787	10,579	11,080	11,400	12,022	12,081	12,111	9,683	10,104	10,524	10,882	11,352
SOUTH DAKOTA													
AFDC	$4,392	$ 4,392	$ 4,264	$ 3,641	$ 3,017	$ 2,285	$ 1,396	$ 562	$ 0	$ 0	$ 0	$ 0	$ 0
Food Stamps	1,985	1,808	1,690	1,794	1,898	1,997	2,037	2,052	1,945	1,585	1,225	865	581
Disposable Income	8,594	9,456	10,248	10,767	11,286	11,692	11,771	11,820	9,740	10,186	10,633	11,019	11,523
WISCONSIN													
AFDC	$6,538	$ 6,538	$ 6,430	$ 5,899	$ 5,224	$ 4,385	$ 3,992	$ 3,283	$ 2,619	$ 1,956	$ 1,293	$ 630	$ 0
Food Stamps	1,109	843	721	778	905	1,052	869	828	766	714	673	632	581
Disposable Income	9,062	9,924	10,733	11,297	11,788	12,134	12,487	12,604	12,686	12,776	12,878	12,852	11,385

Source: Program Evaluation Division analysis.

of the five states, at 74 percent. Rates were 76 percent in South Dakota, 80 percent in North Dakota, and 81 percent in Wisconsin. The highest rate for this income level was in Minnesota, at 83 percent.

While rates in the 50 percent range may not strongly discourage recipients from working, it is possible that rates of over 80 percent do. Overall, benefit reduction rates in Minnesota are higher, over a wider income range, than those of the other four states. To the extent that benefit reduction rates affect work behavior, we would expect AFDC recipients in Minnesota to be somewhat less likely to increase their work efforts, though not less likely to work at all, than those in the other states. And in fact, Minnesota ranked sixth among all 50 states in the percentage of AFDC recipients who have some earned income.

G. ALTERNATIVES TO THE CURRENT AFDC PROGRAM

One method which has been suggested for improving the work incentives of the AFDC system involves creating a "gap" between the standard of need and the grant level.[6] A few states currently use this system (Utah's system is described below), and it was proposed in the Minnesota Legislature and by the Welfare Commission in 1986. Minnesota currently pays 100 percent of the difference between the standard of need and adjusted income. If the standard of need exceeded the grant level, working AFDC recipients could retain more benefits as their earnings increased than they can now. Those with no earnings would continue to receive a benefit equal to the payment standard for their family size.

We tested two variations of this proposal. In both cases, we increased the need standard to 120 percent of the current standard. In the first variation, the state would pay 100 percent of the need standard less adjusted income. In the second case, 80 percent of the difference would be paid. In both cases, the maximum amount of the benefit would be limited to the maximum payment for the family size. Benefits under the current system and the two alternatives would be calculated as:

Current: Benefit = Payment Standard - Adjusted Income

Option 1: Benefit = Need Standard - Adjusted Income

Option 2: Benefit = .80 * (Need Standard - Adjusted Income)

Table 7.5 presents results from our comparisons. Under the first option, benefits for families with very low incomes would be the same as under the current program. When earnings are above $1,000 per year, however, option

[6] "Need standard" means the amount of financial resources necessary to maintain a minimally adequate standard of living, as determined by the state. "Payment standard" is the portion of the need standard paid by the state in the form of AFDC benefits. In Minnesota, the payment standard is 100 percent of the need standard.

TABLE 7.5

COMPARISON BETWEEN CURRENT AFDC PROGRAM AND ALTERNATIVE PROGRAMS

	Current Program			Option One			Option Two		
Earned Income	AFDC Benefit	Disposable Income	Marginal Tax Rate	AFDC Benefit	Disposable Income	Marginal Tax Rate	AFDC Benefit	Disposable Income	Marginal Tax Rate
$ 0	$6,384	$ 9,466		$6,384	$ 9,466		$6,129	$ 9,326	
1,000	6,384	10,296	17%	6,384	10,296	17%	6,129	10,156	17%
2,000	6,128	10,985	31	6,384	11,146	15	5,924	10,872	28
3,000	5,440	11,436	55	6,384	12,045	10	5,373	11,399	47
4,000	4,751	11,887	55	6,028	12,696	35	4,823	11,926	47
5,000	4,063	12,338	55	5,340	13,113	58	4,272	12,453	47
6,000	3,388	12,644	69	4,665	13,401	71	3,732	12,833	62
7,000	2,554	12,692	95	3,831	13,445	96	3,065	12,973	86
8,000	1,774	12,709	98	3,050	13,465	98	2,440	13,076	90
9,000	993	12,727	98	2,270	13,485	98	1,816	13,179	90
10,000	213	12,744	98	1,490	13,505	98	1,192	13,296	88
11,000	0	11,015	273	710	13,462	104	568	13,362	93
12,000	0	11,519	50	0	11,519	294	0	11,519	284

Source: Program Evaluation Division analysis.

one is more favorable to the recipient. At every income level betwen $1,000 and $12,000, this option results in increased disposable income. In addition, under this option families would continue to be eligible for some assistance even at earnings over $11,000, whereas under the current plan eligibility ends when earnings reach $10,000.

Under the second option, families with earnings under $3,000 would receive slightly less assistance than under the current program. Between $3,000 and $12,000 in yearly earnings, however, AFDC benefits and disposable income would be higher under option two. For people capable of working, this would presumably have the effect of encouraging them to work. However, this option would tend to penalize those who were unable to work. In addition, both option one and option two would probably result in increased costs to government, because more families would be eligible and because benefits would be higher.

The benefit reduction rates created by the three plans are quite different. Figure 7.3 compares changes in disposable income for various levels of earnings under the current program and the two options. As the figure illustrates, over a broad range of earnings levels, the current program presents almost no incentive to increase earnings. Benefit reduction rates for earnings between $6,000 and $11,000 are over 90 percent.

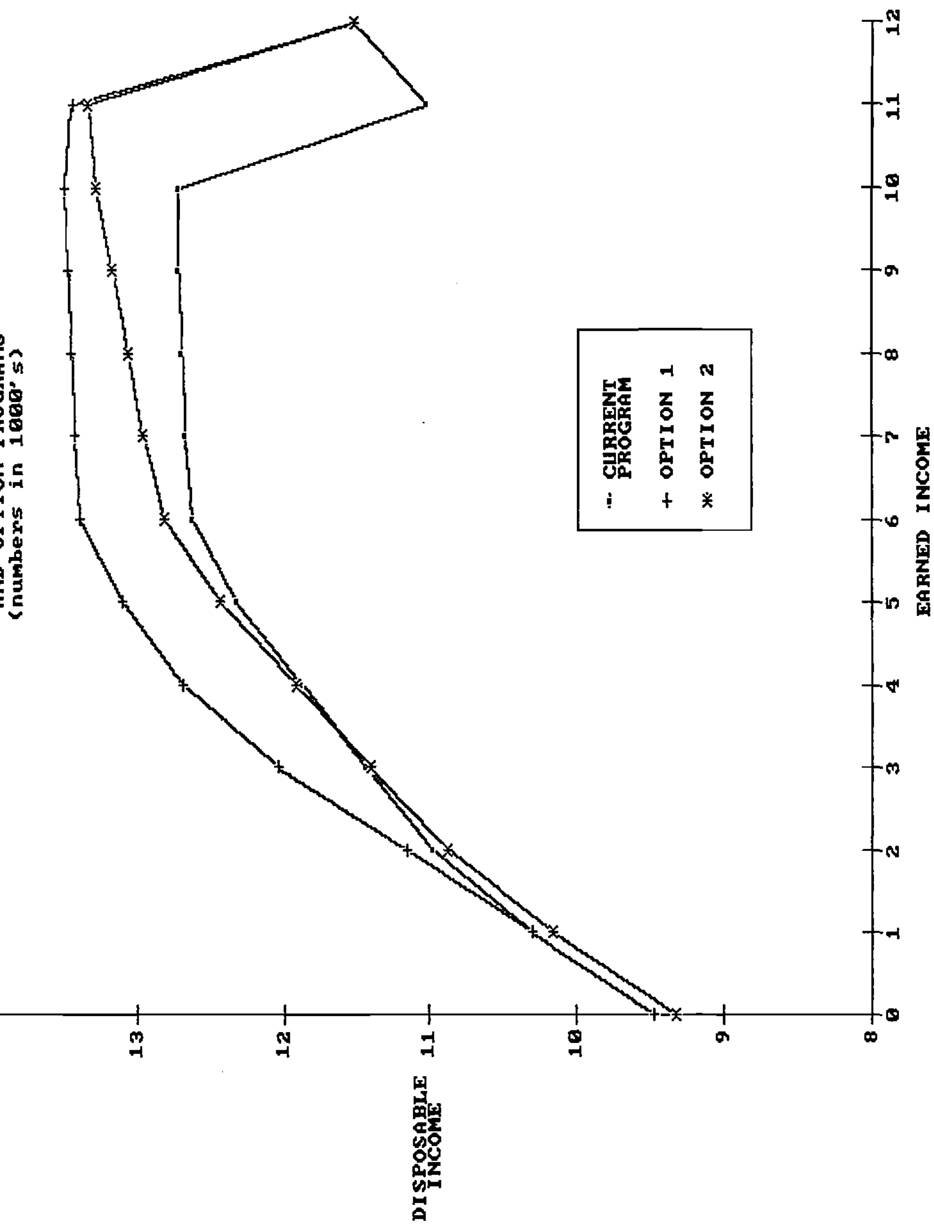
Option one provides a higher disposable income for a given level of earned income, but has the same problem with work incentives as the current program. Under this option, benefit reduction rates are again over 90 percent for earnings between $6,000 and $12,000.

For most levels of earnings, option two would provide a disposable income between the current program and option one. However, option two has the advantage of allowing disposable income to increase with earnings over the entire range of earned income, up to the point where eligibility ends completely. Benefit reduction rates under option two are never over 90 percent, and are at 90 percent only between $7,000 and $9,000 in earnings.

At earnings under $5,000, option one has the lowest benefit reduction rates. In theory, this should encourage AFDC recipients to increase their work efforts, since they would keep almost all of any increase in earnings. At earnings above that level this alternative has benefit reduction rates equal to or higher than those of the current program. Since any full-time work at minimum wage or more would result in earnings above $5,000, the first option could have the undesirable effect of discouraging participants from moving from part-time to full-time employment. The second alternative avoids this problem. Benefit reduction rates are fairly low at low levels of earnings and, while rates increase at higher earnings, they remain the lowest of the three programs.

- If benefit reduction rates affect work behavior, it would be better to pay a portion of the difference between income and the need standard, because that option would encourage people to increase work, than to pay 100 percent of need or 100 percent of the difference between need and income.

Figure 7.3



COMPARISON BETWEEN CURRENT PROGRAM
AND OPTION PROGRAMS
(numbers in 1000's)
DISPOSABLE INCOME
EARNED INCOME
- CURRENT PROGRAM
+ OPTION 1
* OPTION 2
8
9
10
11
12
13
14
0
1
2
3
4
5
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8
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10
11
12

We know from our analysis of DHS quality control data that about 17 percent of AFDC recipients are employed--15 percent part-time and two percent full-time. Reduced benefit reduction rates might encourage some who are now employed part-time to move into full-time employment, especially if the rate reduction was accompanied by lower payments. However, while this work incentive effect may be desirable, only a small number of recipients would be affected, and a much larger group would simply face reduced assistance levels. A change such as that contemplated by option two would, it seems to us, have to be accompanied by changes in work opportunities for the large group of recipients who are now exempt from work requirements.

The two alternatives presented here are intended as examples of changes which could be made to the AFDC program in Minnesota. The federal government allows states to set need and payment standards. Therefore, any combination of standards could be chosen, and a program could be designed to include more work incentives, to provide more benefits to the most disadvantaged families, or to keep total program expenditures at current levels. It is not possible, however, to create a program which would accomplish all three. Therefore:

- If legislators agree that benefit reduction rates should be decreased, then they will need to either increase AFDC expenditures or decrease the grant for households with no other income.

H. BUILDING WORK INCENTIVES INTO THE AFDC SYSTEM: THE CASE OF UTAH

In an effort to create work incentives, Utah changed its method of calculating AFDC grants in January 1983. Utah lowered its benefit reduction rate, permitting working recipients to keep more of their earnings. To accomplish this, Utah disregarded 35 percent of earned income when calculating recipient grants, setting the state's AFDC payment standard at 65 percent of the need standard.[7] A promotional campaign accompanied the change, as the state notified recipients that "working pays."

The percentage of Utah's AFDC caseload with earnings increased from 7.7 percent in December 1982 to 17.3 percent in December 1983. Currently, the percentage of Utah's caseload with earnings (about 20 percent) ranks among the nation's highest.

Unfortunately, it is difficult to determine the extent to which Utah's "work incentives" caused the subsequent increase in working recipients. First, Utah implemented its incentives at the peak of a severe recession, and economic improvements undoubtedly helped many AFDC recipients find

[7] Currently, Utah disregards 46 percent of earned income.

work. Utah's unemployment rate decreased from 10.5 percent in April 1983 to 7.4 percent in October 1983.[8]

Second, Utah implemented a "self-sufficiency program" in January 1984, offering case management services to AFDC recipients on a voluntary basis and increasing the availability of child care subsidies. This program might have contributed to Utah's recent increase in working recipients. Third, the changed method of calculating grants extended AFDC eligibility to some workers who previously were ineligible, and this probably caused some of the increase in working recipients. Utah's overall AFDC caseload size increased 5 to 10 percent after the change, but the number of new recipients with earned income doubled during 1983.

While much of Utah's increase in the number of working AFDC recipients is not the result of its lower benefit reduction rate, the possibility remains that Utah's changes encouraged recipients to seek employment. Utah's unusually high number of working AFDC recipients merits further attention.

I. CONCLUSIONS

Our computer analysis of benefit reduction rates for AFDC recipients in Minnesota shows that rates are quite high over some earning levels. We conclude that:

- The high benefit reduction rates in Minnesota probably discourage increases in work effort by AFDC recipients who are already employed.

However, only a small proportion of AFDC recipients are employed. In addition, there is no clear evidence from other states to suggest that changes in the work incentive structure will increase the number of AFDC recipients who are employed. Changing the benefit structure to lower benefit reduction rates would be costly, in terms of either higher AFDC costs or increased hardship for the most disadvantaged households. Therefore, we conclude that:

- While lower benefit reduction rates might improve the fairness of the AFDC system by rewarding increased work efforts, policy-makers should expect increased costs and only small changes in work behavior as a result of creating a "gap" between the need and payment standards in Minnesota.

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[8]Our analysis of Utah AFDC caseload data indicated that early 1983's increase in recipients with earned income primarily resulted from an unusually low rate of program exit by recipients having earned income. The 1983 increase was not primarily caused by large numbers of non-working recipients becoming working recipients.

Work Programs for AFDC Recipients

Chapter 8

The notion of employment programs for welfare recipients is not a new one. The able-bodied poor in nineteenth century England received public assistance only if they lived and labored in a workhouse. Although employment programs for AFDC recipients have a short history in the United States, there has been considerable recent interest in various states' programs to help welfare recipients find work. We asked:

- What objectives might the Legislature set for an AFDC employment program?
- What does research show about the effects of various employment programs and the potential for targeting certain AFDC subgroups?
- What are the characteristics of AFDC employment programs recently adopted in other states?

The term "employment programs" refers to any voluntary or mandatory program in which AFDC recipients engage in job search, obtain work experience or training, or work in exchange for their AFDC grants. The employment programs of various states discussed in this section are all programs for AFDC recipients, although a few have also served General Assistance recipients.

A. OBJECTIVES OF AFDC EMPLOYMENT PROGRAMS

Much of the debate surrounding AFDC employment programs stems from the varying objectives ascribed to them. Unless their objectives are clear, it is difficult to determine the programs' effectiveness. In general, we can describe four objectives for AFDC employment programs, although a given program might pursue more than one of the objectives:

(1) *Save public money.* Cost savings might result if employment programs encourage faster caseload turnover, either by helping people become self-sufficient or by making receipt of AFDC less

desirable. Work requirements may deter some people from applying for or remaining on AFDC, resulting in lower program expenditures. Employment programs may also save welfare costs if they increase the earned income of AFDC recipients, since earned income reduces a recipient's grant.

(2) *Increase self-sufficiency.* Measures of improved self-sufficiency include significant growth in earnings or hours of employment, and placement of recipients in more secure jobs than they now hold.

(3) *Enhance fairness.* Some employment program proponents argue that the failure of employable recipients to work violates society's sense of fairness. Stronger public support of the welfare system results when welfare recipients fulfill the obligations (such as work) that exist for others in society, or when recipients perform tasks in return for society's financial support. Proponents of this view usually suggest that the best way to judge an employment program is by looking at whether it has high levels of recipient participation.

(4) *Produce social benefits.* Some people judge employment programs by whether or not the goods and services produced by the participants more than compensate society for the programs' costs. When an AFDC recipient becomes gainfully employed because of an employment program, that person's higher earnings represent a return on society's investment. In addition, society may also benefit from the work done by the participant while in the program, particularly if the tasks are important and would not otherwise be done.

B. MINNESOTA'S AFDC EMPLOYMENT PROGRAMS

In the past 25 years, the federal and state governments initiated a variety of employment programs aimed at AFDC recipients. The most notable federal programs were the Work Incentive program and the Community Work Experience Program. We discuss these programs briefly here and in Appendix D, but we assess their results more fully in a separate report.[1]

The Work Incentive program (WIN) is the federal government's primary employment program for AFDC recipients. When originated in 1967, its objective was to encourage recipient self-support through training, work experience, and public service employment. But in recent years, the federal government shifted WIN's focus from employment-intensive activities to job search assistance.

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[1]Office of the Legislative Auditor, *Employment and Training Programs*, February 1987.

Currently, 77 percent of Minnesota's AFDC recipients live in counties that administer the WIN program. Only 27 of Minnesota's 87 counties are now operating a program, about half the number that had WIN programs just six years ago. The primary reason that fewer counties now participate is federal budget cuts. In Minnesota, 90 percent of WIN's $5 million 1986 budget is federal, and the state portion is 10 percent.

Not all AFDC recipients in counties with WIN programs are required to register in the programs. For example, federal rules exempt women with children under age six from mandatory WIN participation. Of the 39,000 Minnesota recipients in WIN counties in 1985, 25,000 were registered in the program.[2]

When AFDC recipients register with WIN, they are appraised by WIN staff and placed in one of three categories: (1) WIN component; (2) WIN non-component; or (3) unassigned. More than one-fourth of Minnesota's WIN registrants are "unassigned" and typically receive no WIN services beyond an employment assessment. As many as one-fifth of WIN registrants participate in "component" activities, primarily institutional training, work experience, and on-the-job training. Most WIN registrants are classified as "non-component" and engage in job search. WIN staff periodically contact "non-component" participants and sometimes offer job search assistance. However, since there are 260 WIN registrants statewide for each WIN staff person, "non-component" participants often receive minimal help.

The average wage of WIN registrants who found jobs in 1985 was $5.39. However, of those who found jobs, one-fourth earned too little to leave the AFDC program. The WIN registrants who found employment tended to be slightly better educated than registrants who did not find employment.[3]

A second employment program for AFDC recipients in Minnesota is the *Community Work Experience Program (CWEP)*. In 1981, Congress passed legislation permitting states to have AFDC recipients work in unpaid jobs in exchange for their cash grants. About half the states have CWEP programs, although most states do not operate the program in all counties.

The 1983 Minnesota Legislature authorized a demonstration CWEP project in eight counties. The Legislature's stated purpose for initiating CWEP was to enhance recipients' employability "through meaningful work experience and training and the development of job search skills...."[4] Only recipients in the AFDC Unemployed Parent program are required to participate in

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[2]Employment Service Automated Reporting System, Minnesota Department of Jobs and Training, as of June 30, 1985; Minnesota Department of Human Services, *Minnesota Aid to Families with Dependent Children for Fiscal Year 1985*, monthly average for WIN counties.

[3]Employment Service Automated Reporting System, Minnesota Department of Jobs and Training, September 30, 1985.

[4]Minn. Stat. §256.736. Currently, state law authorizes up to 16 counties to operate CWEP.

CWEP, although AFDC single parents may participate voluntarily. CWEP currently operates in seven counties, which have six percent of Minnesota's total AFDC caseload and nine percent of the AFDC Unemployed Parent caseload.

In CWEP counties, not all AFDC unemployed parents are required to participate in the program. State eligibility rules exempt caretakers of children under age seven. In addition, federal rules authorize the exemption of recipients unable to find child care services and recipients working at least 80 hours per month at jobs paying at least minimum wage.

CWEP is usually characterized as a "work experience" program, and most of the jobs that county agencies develop for participants are entry-level positions in public agencies. The most common tasks are maintenance of roads, parks, and schools. However, most Minnesota CWEP participants are never assigned to work sites. The more common CWEP activity is job search, which must precede all work experience assignments, according to state rules. Many CWEP participants leave AFDC before being assigned to a work site, which also explains the predominance of job search among CWEP participants.

Some county administrators in CWEP counties believe the program has reduced AFDC caseloads. However, there is little firm evidence that CWEP has significantly affected the caseloads, and no state agency systematically tracks CWEP participants. A 1985 Department of Human Services evaluation of CWEP compared the AFDC caseload trends in CWEP and non-CWEP counties and found no significant differences.[5]

While WIN and CWEP are Minnesota's primary employment programs aimed exclusively at AFDC recipients, three other programs currently serve the group: grant diversion, JTPA, and MEED. Like WIN and CWEP, the *grant diversion* program serves exclusively AFDC recipients. The program uses AFDC grants to provide wage subsidies to employers for on-the-job training or employment placements. Grant diversion creates an an incentive for employers to hire AFDC recipients in permanent jobs paying incomes above the poverty level; employers must agree to hire the recipients when their subsidies end. AFDC recipients participate in grant diversion voluntarily, and counties may contract with local WIN, JTPA, and MEED offices to make job placements. Minnesota's Department of Human Services requires that grant diversion jobs pay at least 185 percent of the recipient's AFDC standard of need. This requirement means that single parents with one child must be placed in jobs paying at least $4.67 an hour, while single parents with three children must be placed in jobs paying at least $6.63. Most Minnesota employment programs do not place recipients in jobs paying more than $6.00 an hour, so recipients in larger families are much less likely to be served by grant diversion. Jobs paying 185 percent of the AFDC standard of need may be particularly hard to find outside the Twin

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[5]Minnesota Department of Human Services, Work and Training Unit, *The Community Work Experience Program in Minnesota: Second Report to the Legislature*, February 15, 1985. The department is preparing a similar report for the 1987 Legislature.

Cities metropolitan area, where many available jobs only pay minimum wage. Since Minnesota's grant diversion program received federal approval in February 1986, 16 counties have adopted grant diversion programs, and most are too new to assess. As of September 1986, only 11 AFDC recipients had been placed in employment through grant diversion (all were in St. Louis County).

AFDC recipients are one of the target populations of the federal *Job Training Partnership Act (JTPA)*, which subsidizes job search assistance, institutional training, and on-the-job training. Of 20,000 participants in JTPA during a recent nine-month period, 22 percent were AFDC recipients.[6]

Minnesota's Employment and Economic Development (MEED) program also serves AFDC recipients. The program provides maximum subsidies of $4 per hour for wages and $1 per hour for fringe benefits. In 1985, the Legislature made AFDC-eligible people one of four priority groups for service.[7] During the first 10 months of 1986, AFDC-eligible participants were about 13 percent of all MEED participants.[8]

C. FINDINGS FROM STUDIES OF AFDC EMPLOYMENT PROGRAMS

1. GENERAL RESEARCH FINDINGS

Although states began implementing AFDC employment programs in the early 1960s, reliable studies of such programs did not emerge until the mid-1970s. Even the 20-year-old WIN program has never been the subject of an evaluation comparing its outcomes to those of a control group receiving no services.[9]

Despite the short history of AFDC employment program evaluation, many of the studies completed to date provide important insights into the effectiveness of welfare interventions. The most reliable studies are those that compare an employment program's effects on recipients to the experience of recipients who are not served by such a program (a "control group"). Because turnover in AFDC caseloads is high, even among recip-

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[6]Minnesota Department of Jobs and Training, July 1, 1985, to March 31, 1986.

[7]The other three priority groups are households with no income, people eligible for General Assistance, and farm families with financial need.

[8]Minnesota Department of Jobs and Training, "Monthly Participation Reports," January-October 1986 (cumulative).

[9]There have been several recent control group evaluations of WIN demonstration programs, most of which are markedly different from traditional state WIN programs.

ients who receive no special assistance, using a control group prevents overestimates of an employment program's benefits. Two sets of studies provided the primary basis for our conclusions: (1) a series of research summaries and analyses commissioned by the federal Department of Health and Human Services in 1985 and 1986; and (2) studies of AFDC demonstration employment programs developed in eight states pursuant to 1981 federal law changes. Reputable private research firms prepared each set of studies: Mathematica Policy Research prepared the first set, and the Manpower Demonstration Research Corporation (MDRC) prepared the second.[10] Most of the studies examine the effects of programs over one to three years, and many extrapolate program results to longer time periods.

Appendix D highlights findings from each of the employment program studies in various states, providing additional details about the size of program effects that the studies found. From our review of the research findings, we reached the following conclusions about the overall effects of employment programs:

- Participation in employment programs increases subsequent employment and earnings. Typically, employment programs increase the employment rates of AFDC recipients by 5 to 10 percentage points.

- There is little evidence that employment programs significantly affect participants' wage rates. Increases in participant earnings generally result from increases in employment rates and hours worked, not increases in wages.

- While employment programs apparently improve the economic condition of participants, many programs do not bring participants out of poverty. Although AFDC employment programs produced some noteworthy increases in participants' employment and earnings, decreases in participants' levels of welfare receipt were more modest. Employment programs usually result in small decreases in the average AFDC grant and in AFDC caseloads.

- Although evidence is not conclusive, intensive employment and training programs generally produce greater impacts on employment and earnings than the less expensive job search programs. The more intensive employment programs produce lasting earnings increases ($600-1,000 per year) that are larger than the increases resulting from job search programs.

While these conclusions are typical, it is important to note that some studies report different conclusions. The employment programs studied took place in states where AFDC grant levels, methods of program administration, and social cultures are markedly different. Furthermore, some of the employment program studies report data that are now more than 10 years old. In general, however, the results reported here come from the studies that employed the most reliable research methods.

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[10]Appendix D contains the citations of recent studies by these organizations.

2. RECENT FINDINGS BY THE MANPOWER DEMONSTRATION RESEARCH CORPORATION

Perhaps the most comprehensive studies of AFDC employment programs remain in progress. As noted earlier, the Manpower Demonstration Research Corporation (MDRC) initiated evaluations of job search and work experience programs in eight states in 1981. Five evaluations are complete, and the other three will be completed in 1987 and 1988.[11] Because the MDRC studies help us understand the effects of employment programs in different settings, this section summarizes some of MDRC's most interesting findings.

Arkansas (a low-AFDC-benefit state) and San Diego (in a high-benefit state) both tested the effects of programs that combined job search with work experience. In each state, the programs produced sizable increases in participant employment and earnings. However, the programs caused greater caseload reductions in Arkansas than in San Diego. In general:

- Comparable increases in earnings and employment will most strongly affect the caseloads in states that pay lower benefits, since small earnings increases in those states are more likely to result in AFDC program termination.

In addition, the MDRC examined "workfare" programs that required AFDC recipients to work in public or non-profit agencies. It found that:

- "Workfare" jobs provided relatively little skills development.

Admittedly, skill development is not always an objective of such a work experience program. In some states, the objectives of work experience programs are to (1) provide participants with a work history that will appeal to potential employers; (2) enforce welfare recipients' obligations in return for public financial support; or (3) discourage participants with unreported income from remaining on welfare. However, if the Minnesota Legislature's goal for employment programs is improved participant self-sufficiency, it is worth noting MDRC's finding that most workfare jobs required skills that participants already had.

While the workfare jobs often provide little skill development, MDRC reports that:

- Most workfare participants considered work requirements fair and expressed satisfaction with their positions.

In San Diego, about 80 percent of the applicants considered the job search requirement fair, and 60 to 70 percent felt the same way about the work experience requirement.[12] Of six mandatory work experience programs

[11]The five completed evaluations were of programs in Baltimore, Arkansas, San Diego, West Virginia, and Virginia. The MDRC has not yet issued final reports from studies in Illinois, Maine, and New Jersey.

[12]Judith Gueron, *Work Initiatives for Welfare Recipients*, 1986, p. 14.

evaluated by MDRC thus far, only the program in Illinois produced high levels of participant dissatisfaction with the program's fairness.[13]

MDRC has also analyzed the effect of AFDC employment programs on two-parent families. To date, it reports that:

- Employment programs for AFDC Unemployed Parents produce little or no effect on their employment rates, although those programs sometimes lead to some reductions in AFDC-UP caseloads or welfare costs.[14]

The San Diego experiment was particularly useful in distinguishing the effects of employment programs on single parents from the effects on unemployed principal wage earners in two-parent families. The study found that combining job search with a work experience program reduced welfare expenditures among both groups, but only single parents showed significant employment rate and earnings increases. Work experience caused most of the single parents' earnings increases. There is speculation that welfare costs declined for the AFDC-UP participants because some opted for "underground" employment with unreported income, rather than accepting AFDC with job search or work requirements.[15]

The objective of some AFDC employment programs is maximum participation rates. There has been particular interest in the feasibility of applying "workfare" programs to large segments of the AFDC caseload, given that work experience programs are more difficult to administer than job search programs. In one state (West Virginia) where conditions seemed conducive to high participation in a work experience program, MDRC reported on what it viewed as the upper limits of workfare participation rates.[16] As much as 70 percent of West Virginia's AFDC-UP caseload participated in the state's work experience program each month, and 24 percent of AFDC women for whom WIN registration was mandatory participated in the work experience program during its first nine months.

When examining overall program results, the MDRC studies have conclusions that are generally consistent with previous research findings. The more intensive employment programs usually showed more substantial impacts than job search programs. However, the experiments' overall effects on AFDC

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[13]Janet Quint and Cynthia Guy, *Interim Findings From the WIN Demonstration Program in Cook County*, June 1986, p. 12.

[14]Daniel Friedlander, *et al.*, *West Virginia: Final Report on the Community Work Experience Demonstrations*, September 1986, p. 185.

[15]Michael Wiseman, "Workfare and Welfare Policy," *Focus*, Fall and Winter 1986, p. 5.

[16]Two conditions that made West Virginia conducive to high workfare participation were: (1) a long history of subsidized jobs programs in the state, with staff who knew how to operate them; (2) significant demand for subsidized workers due to state personnel reductions.

receipt (as well as on earnings and employment) are small, and MDRC's reported impacts are perhaps smaller than the ones found in previous experiments.[17]

3. EMPLOYMENT PROGRAM COSTS AND COST-EFFECTIVENESS

In addition to estimating program effects on recipients, many evaluations of AFDC employment programs also estimate the cost-effectiveness of various interventions. As with our analysis of overall program results, we reviewed studies by MDRC and by Mathematica Policy Research. In general, studies show that:

- Job search programs cost $200-300 per participant. In contrast, the more intensive employment and training programs cost $2,000-4,000 per participant. The cost of placing people in workfare jobs in the San Diego experiment was about $640 per active participant.[18]

The estimated cost-effectiveness of employment programs depends on the perspective from which one views the costs and benefits. From the *fiscal perspective*, cost-effective employment programs are those that offset government's program costs with reduced AFDC costs and with taxes on AFDC recipients' increased earnings. From a broader *societal perspective*, cost-effective programs are those that produce increases in participant earnings and public services that outweigh public program costs.

From our review of recent research, we found it difficult to estimate a "typical" period of time in which AFDC employment programs pay for themselves, from either the fiscal or societal perspective. Most of the studies occurred over a period of three years or less, so estimates of long-term costs and benefits are somewhat hypothetical. More important, due to the varying AFDC benefit levels and employment program costs in states where the programs were tested, we concluded that cost-effectiveness cannot be usefully summarized in dollar terms. Instead, we arrived at some broad generalizations about the cost-effectiveness of employment programs. We concluded that:

- From the fiscal perspective, usually only the inexpensive programs (particularly job search) are cost-beneficial in the short run.

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[17]Rebecca Maynard *et al.*, *A Design of a Social Demonstration of Targeted Employment Services for AFDC Recipients*, June 13, 1986, p. 18.

[18]Jean Baldwin Grossman and Audrey Mirsky, *A Survey of Recent Programs Designed to Reduce Long-Term Welfare Dependency*, April 1985, p. 26.

Because of the modest effect that employment programs usually have on AFDC costs and caseloads, and because these effects often lag behind participants' earnings increases, it may be necessary to wait several years for government to recover its investment. However, some of the more expensive programs never produce welfare savings and worker earnings taxes that pay for program costs.[19]

In addition, we found that:

- Most of the AFDC employment programs tested have been cost-effective from the broader societal perspective.

It is more common for AFDC employment programs to be cost-beneficial from a societal perspective than from a fiscal perspective.[20] To date, MDRC has found net social benefits in each of its five completed evaluations. In several of its studies of work experience programs, MDRC reports that recipients are productive workers, sometimes more so than non-AFDC employees.[21] While most employment programs result in net gains for society at large, there are occasional exceptions. For example, studies of the Work Equity Project in Minnesota and group job search programs in Louisville found that the marginal gains in participant earnings simply did not justify the program costs.[22]

The cost-effectiveness findings suggest a key issue for the Legislature to consider. Employment programs with small public costs are more cost-effective from a short-term fiscal perspective, but they usually result in fewer gains for participants. Thus, if the Legislature wants an employment program to significantly improve participant self-sufficiency, it may need to: (a) consider accepting up-front costs in hopes of long-term gains, or (b) find ways to target jobs programs to recipients most likely to incur long-term welfare costs. Later in this chapter, we consider the effects of employment programs on various AFDC subgroups.

Some cautions about the cost-effectiveness findings should be noted. Because most of the research studies occurred over a period of three years or less, researchers often arrived at long-term cost estimates through extrapolation of short-term trends. Although this approach has some pitfalls, researchers generally tested their long-term conclusions under various assumptions about future cost and benefit trends. A more serious question about the cost-effectiveness of AFDC employment programs is the possibility that recipients who find work merely displace other workers in

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[19] *Ibid.*, p. 111.

[20] *Ibid.*, p. 24; Gueron, *op. cit.*, p. 19.

[21] Both men and women in West Virginia's ambitious CWEP projects were judged to be more productive than regular employees. Friedlander *et al.*, *op. cit.*, pp. xix, xxvii.

[22] Grossman and Mirsky, *op. cit.*, p. 24.

the economy. To the extent that this is true, evaluations of employment programs may overstate benefits.

D. THE EFFECT OF EMPLOYMENT PROGRAMS ON AFDC SUBGROUPS

Many past evaluations of AFDC employment programs reported only aggregate results and did not examine the programs' effects on various subgroups of the AFDC population. For example, until recently, studies have not analyzed effects on never-married mothers or mothers with very young children, two groups that tend toward long-term AFDC receipt. As a result, conclusions regarding subgroup impacts are more tentative than those about the overall program results.

Analysis of AFDC subgroups is important for two reasons. First, targeting services toward groups likely to receive AFDC for long periods of time may result in welfare cost savings. Second, targeting services toward groups best served by AFDC employment programs might also produce cost savings.

The eight MDRC evaluations that are now completed or in progress contain subgroup analyses for work experience and job search programs. While MDRC reports that it is too early to compare the effectiveness of program interventions for subgroups in the eight states, the organization concludes that:

> ...the results from San Diego, Arkansas, and Maryland all suggest that the impacts of these three quite different programs are greater for enrollees who would be considered the most disadvantaged or least employable in terms of a previous work record.[23]

In other words, participants with little work history experienced larger net gains than other participants.

The work program findings were slightly different in Virginia, where MDRC studied current AFDC recipients in addition to new applicants. MDRC found that hard-to-employ *applicant* subgroups (including those with poor educations, poor work histories, or long-term dependence) gained more from a job search-work experience program than the more employable applicants. In contrast to the findings for new applicants, MDRC found that hard-to-employ *recipients* already on AFDC did not gain from the work program, except for those without high school diplomas.[24]

Earlier studies than MDRC's also offer some insights, but few closely examined program impacts on subgroups. These studies present some evidence that employment programs targeted to women with little education,

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[23]Gueron, *op. cit.*, p. 21.

[24]James Riccio, *et al.*, *Virginia: Final Report on the Virginia Employment Services Program*, August 1986, pp. xxiv-xxv.

little recent work experience, and young children are more effective than other programs.[25]

Overall, while there is a need to more effectively document employment programs' effects on AFDC subgroups, some evidence suggests that the more disadvantaged subgroups may benefit most from employment programs.

E. THE POTENTIAL FOR TARGETING EMPLOYMENT PROGRAMS TO AFDC SUBGROUPS

In Chapter 6, we noted that certain subgroups of the AFDC population tend toward long-term AFDC dependency more than other subgroups. In the previous section, we observed that some categories of people may benefit more from employment programs than others. Those findings raise an issue: Is it feasible to target an AFDC employment program to certain subgroups of the AFDC caseload?

There are two main rationales for targeting. First, given the expense of employment programs, targeting may be a way of holding down costs. Rather than applying obligations to the entire AFDC caseload, the Legislature might opt to limit the scope of its efforts. The second rationale is that most AFDC costs stem from payments to long-term recipients. Unless the Legislature addresses the large impact of this relatively small AFDC subgroup, sizable cost savings will not occur. Overall, targeting may be justifiable if the Legislature's goals for a work program are (a) AFDC cost savings, or (b) improved recipient self-sufficiency, at least for the targeted group. However, if the goal of a work program is maximum participation (in order to address the perceived fairness of the welfare system), then targeting alone cannot be a means to this end.

If the Legislature accepts the notion of targeting, the main issue is whom to target. Targeting is not justified unless there is convincing evidence that the target groups are truly the long-term welfare dependents or are groups highly affected by AFDC employment programs. We found in Chapter 5 that long-term recipients in Minnesota are more likely to have poorer educations, poorer work histories, or started AFDC as teenagers. Chapter 6 presents the findings from national studies that examined factors predicting long-term welfare stays. Those studies agreed that the following characteristics predicted long-term AFDC stays: (1) never married, (2) poor education, (3) poor work history, (4) non-white. The most reliable of the national studies also found greater dependency among women who began AFDC with very young children and women who began AFDC at age 22 or younger.

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[25]Maynard, *et al.*, *op. cit.*, p. xv.

In addition, a series of national studies recently explored the issue of whom to target.[26] The studies tried to synthesize previous research on long-term dependency and employment program effectiveness, research which did not seem to point to consistent targeting strategies. To the extent possible, Mathematica tried to isolate subgroups that were *both* likely long-term welfare recipients *and* likely beneficiaries of employment programs. The analysis concluded that:

- Good target groups of long-term AFDC recipients are: (1) never-married family heads having neither a high school diploma nor recent work experience. These target groups should include women with children under age six.

- Job search assistance could be most effectively targeted toward: (1) never-married women whose youngest child is age one or older and who receive the job search assistance without delay, and (2) women with no work experience.

- Subsidized employment could be most effectively targeted toward: (1) women of any marital status whose youngest child is age three or older and who participate in the job program without delay, and (2) women of any marital status who enter work programs one or two years after coming on welfare and whose youngest child is age six or older.[27]

It is especially worth noting Mathematica's suggested targeting of women with children under age six. Currently, the federal government does not require these women to register in its Work Incentive program. We think that Mathematica makes a strong case for targeting women with young children, showing that delays in serving women likely to be long-term recipients are lost opportunities.[28] Thus, we conclude:

- *From a cost-effectiveness standpoint,* it makes sense to consider targeting women with children under age six for services.

However, the issue of targeting women with children under age six is more than a question of cost-effectiveness. The Legislature must make a value judgement about whether AFDC recipients should continue to have the option of full-time parenthood.

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[26]These studies, prepared by Mathematica Policy Research, include: Maynard, *et al.*, *op. cit.*; Grossman and Mirsky, *op. cit.*; Grossman, Maynard and Judith Roberts, *Reanalysis of the Effects of Selected Employment and Training Programs for Welfare Recipients*, October 1985; David T. Ellwood, *Targeting "Would-Be" Long-Term Recipients of AFDC*, January 1986.

[27]Maynard, *et al.*, *op. cit.*, pp. 42-43. Delays in entering a work program affect suggested targeting strategies since these delays represent a loss of potential welfare savings.

[28]Ellwood, *op. cit.*, pp. 50-53; Maynard, *et al.*, *op. cit.*

It is important to emphasize that Mathematica's research findings *suggest* possible targeting strategies, but such targeting has not yet been tested. The federal Department of Health and Human Services sponsored the studies in order to design a future demonstration project for targeting. However, the studies' authors acknowledge that "...major knowledge gaps still exist in terms of the overall efficiency and cost-effectiveness of targeting strategies."[29] The authors recommend a demonstration that further explores program impacts on AFDC subgroups without explicitly targeting certain groups.

In our view, the Mathematica studies cited above are largely consistent with findings emerging from the Manpower Demonstration Research Corporation's evaluations. We concluded that:

- The Mathematica and MDRC studies both seem to point toward greater cost-effectiveness when targeting the harder-to-serve AFDC recipients.

Overall, we think that a targeting strategy holds considerable promise, although such a strategy has not been thoroughly tested in other states. Some question remains about which recipients are most likely to remain on AFDC for long periods, but our own research into the characteristics of long-term Minnesota recipients is generally consistent with national research. While there are some unanswered questions about targeting, we think these questions are probably outweighed by the risks of *not targeting*. By not targeting long-term recipients, there is the possibility that employment programs will fail to help the recipients who stand the most to gain and who account for most AFDC costs.

F. CURRENT EMPLOYMENT PROGRAMS IN OTHER STATES

Beginning in 1981, many states experimented with employment programs for AFDC recipients. A few programs involved major transformations of the AFDC system or sizable public investments. In this section, we review the noteworthy efforts of four other states.

Perhaps the two programs receiving the most attention are Massachusetts' Employment and Training Choices (ET) program and California's Greater Avenues to Independence (GAIN) program. In addition, Illinois recently launched Project Chance, a statewide employment program similar to the one in California. Utah adopted a somewhat different approach to AFDC reform, emphasizing case management and financial incentives to work, but with less change in program expenditures than the other three states. Appendix E contains more detailed descriptions of these four programs.

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[29]Maynard, *et al.*, *op. cit.*, p. 83.

Many states, including the four mentioned here, claim large welfare savings resulting from welfare-to-work programs. Perhaps the most publicized claims are from Massachusetts' ET program, which has a longer history than most employment programs (three years). Massachusetts claims annual welfare savings of $107 million from ET, twice the annual program costs. Massachusetts also claims to have placed 30,000 recipients through ET in jobs paying an average of $12,000 per year. While the enthusiasm states show for their programs is commendable, we think that:

- Program results from the four states and many others must be viewed with considerable skepticism. The AFDC savings reported by these states appear to be significantly overstated.

For example, while Massachusetts claims 30,000 job placements for ET, only a fraction of those are specifically attributable to the the new program. Considering AFDC's normally high turnover rate (about half of all AFDC recipients in the U.S. leave welfare within two years of program entry), and considering Massachusetts' currently booming economy (unemployment is less than four percent), one would expect to have seen many AFDC recipients finding jobs in the past three years even without an ET program. Only by comparing a group of ET participants to an AFDC control group that did not receive ET services can we determine the effects of the program. However, such comparison has not been done.

The current MDRC studies suggest that employment programs produce relatively small gains. The MDRC study in Maryland (which implemented a program somewhat similar to ET) showed that 51 percent of participants were employed during the program's first year. However, the employment rate among the group receiving no new services was 44 percent. Thus, the Maryland program's net effect on employment was an increase of 7 percentage points--not 51 points. Furthermore, the program had no discernible impact on welfare costs.[30] In sum, despite the well-publicized claims of welfare cost savings in some states, there remains little, if any, empirical evidence of large impacts on AFDC costs resulting from employment programs.

Nevertheless, despite the lack of reliable information about program outcomes, the possibility remains that programs such as those in Massachusetts, California, Utah, and Illinois produce beneficial effects--perhaps by improving self-sufficiency or by improving the public perception of welfare. For this reason, it is important to consider the similarities and differences of the four programs. The most fundamental difference is that Massachusetts and Utah operate voluntary programs for AFDC recipients, while California and Illinois require program participation by certain subgroups of the AFDC population. Both California and Illinois exempt caretakers of children under age six.

California requires non-exempt AFDC recipients to participate in some program activity at all times. In contrast, the Massachusetts program has a large "unassigned pool" similar to that in the WIN program, which is

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[30] Gueron, *op. cit.*, p. 18.

equivalent to a waiting list. In Illinois, thousands of Project Chance participants engage in "modified job search," in which people who are not job-ready make minimal job contacts each month.

California is the only one of the four states to utilize contracts between AFDC recipients and local welfare offices. The contracts specify the recipient's obligation to the public as well as the welfare office's promise of services to the recipient.

Each of the states seems to emphasize participant assessment and the development of employability plans. Underlying this focus is the belief that getting off welfare requires a cohesive, goal-driven approach. Furthermore, attaining self-sufficiency often requires some initial guidance to link recipients with potentially useful programs and resources. Utah relies on this sort of "case management" rather than new employment or training programs to assist recipients.

Utah, California, and Illinois all have work experience programs in which certain participants essentially work off their grants. However, the states do not view this component as a punitive measure. In general, the four states undertake considerable efforts (sometimes with extensive marketing) to make their revised AFDC program sound positive, appealing to recipients' self-interest.

Massachusetts, Illinois, and California try to encourage job placements through performance-based contracts with public or private service providers. Illinois currently awards contracts to providers who can enroll significant numbers of AFDC recipients. Massachusetts, in addition to awarding performance-based contracts, pays its Department of Economic Security $1,600 for each recipient the department places in a job paying more than $5 an hour.

Each of the four programs required net increases in state spending for AFDC recipients. Utah's increases were relatively small; about $3 per Utah resident was added to child care appropriations and about 10 new caseworkers were employed. In contrast, the California program may cost $14 per capita this year.

G. PRACTICAL CONSIDERATIONS

Summarizing the track record of welfare-to-work programs is difficult because they take so many forms. But it is clear from the experience of past and current work programs that the design of such a program may affect its success or failure as much as its objectives. Our review of other state's experiences suggests several areas for careful consideration:

-- *The need for service providers to support the program.* Some of the early workfare programs failed, in part, because local welfare offices opposed them. The most notable example was

California's mandatory work experience program in the early 1970s, which many counties refused to administer despite state mandates.

-- *Participation rates.* If the goal for AFDC employment programs is maximum participation, then it is important to note the mixed results in current mandatory programs. Although participation has been very high in some states, about one-fourth of the registered recipients in Maryland did not participate in mandated activities during the first year of that state's employment program.[31] MDRC reports that its projects show higher levels of participation than previous experiments or current programs, but it notes that:

> Questions remain about the potential to duplicate this record in other states and about the feasibility of implementing an open-ended participation obligation on their entire caseload....[32]

Most states exempt eligible people from participation if they cannot obtain necessary support services, such as child care.

-- *Finding enough work slots.* Providing "work experience programs" for large segments of the AFDC population is no small task. If a state's goal is to provide jobs with meaningful work experience in skilled positions, the challenge is even greater. As noted earlier, most participants in the MDRC work experience programs learned few new skills.

California needs at least 34,000 job slots in public and nonprofit agencies to accommodate the expected demand for work experience in the GAIN program. However, due largely to opposition from public sector unions, California will not provide workfare slots in state government, making placement of participants more difficult. Cook County, Illinois, created more than 2,300 work slots but filled fewer than half of them, due partly to staffing constraints and increased paperwork.[33]

-- *The sequence of employment program components.* Many states do not require job-ready people to participate in expensive program components (such as supported work or work experience programs) until they have completed a period of job search. Some states assess employability and develop employment plans for all

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[31]Gueron, "Work for People on Welfare," *Public Welfare*, Winter 1986, p. 9.

[32]*Ibid.*, p. 10.

[33]Quint and Guy, *op. cit.*, pp. 10-11.

program participants at the time of entry, while other states reduce program costs by postponing this step until after the participant engages in job search.

-- *Sanctions.* If employment programs are to be mandatory, they would likely require sanctions for non-participation. Some of the most vocal proponents of welfare reform express concerns about the legal and political resistance likely to confront strict work program sanctions.[34]

-- *Documentation of job search.* States with mandatory job search often require participants to make a certain number of job contacts each month. AFDC recipients in Illinois report their contacts themselves. Whether it is possible to verify the contacts without negatively biasing the participants' job prospects remains an issue.

H. SUMMARY AND CONCLUSIONS

As we stated earlier, the place to start when designing an AFDC employment program or when evaluating results is with program objectives. Without clear objectives, determining the program's success or failure proves difficult. From our review of past research and current employment programs, we conclude the following regarding the likelihood of achieving various employment program objectives:

- *Save public money.* There is little evidence that large welfare costs savings result from job search or more intensive employment programs. Employment programs have a small effect on the turnover rate in the welfare caseload, so our expectations of cost savings must be modest. Moreover, some evidence suggests that employment programs in high-benefit states (such as Minnesota) affect AFDC costs to a lesser extent than programs in low-benefit states. However, perhaps Minnesota can maximize cost savings if it effectively targets work programs to the people most likely to be long-term AFDC recipients.

- *Increase self-sufficiency.* AFDC employment programs have a modest effect on recipients' earnings and employment rates, but they have little effect on wages. These programs usually help participants by increasing their hours of work, but participants do not necessarily get better jobs (involving more skills, having more room for advancement). Intensive employment and training affect earnings and employment more strongly than job search does.

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[34]"Welfare and Work: A Symposium," *The New Republic*, October 6, 1986; comments by Charles Murray (p. 22) and Mickey Kaus (p. 23).

- *Enhance fairness*. If the Legislature's goal is to enforce the work obligation among all employable welfare recipients, it is clearly possible to design programs with higher participation rates than current work programs such as WIN and CWEP. The state could mandate activities such as job search at relatively low costs and with fewer practical difficulties than mandatory work experience programs. However, activities that are the cheapest and easiest to require often show smaller impacts than more intensive services.

- *Produce social benefits*. Several studies of AFDC employment programs demonstrate that recipients' earnings increases outweigh the costs of the program; as such, the programs yield a net benefit to society. However, while private benefits to recipients may outweigh public costs, the studies point to relatively small reductions in welfare costs. The key question is whether government will subsidize employment programs that yield net social benefits without yielding net fiscal savings to government.

Another important issue is whether the employment or training program should be mandatory or voluntary. Figure 8.1 presents both sides of this question. Recent employment programs in other states have taken varying approaches, with Massachusetts' ET program being completely voluntary, and California's GAIN program mandating some sort of participation. If the Legislature wants to target work or training to certain AFDC subgroups, targeting might be most efficient if participation is mandatory for those groups. Chapter 9's discussion of maternal employment also addresses whether programs should be mandatory or voluntary. It presents research findings suggesting that maternal choice about family and work roles may be preferable to mandatory, full-time participation requirements, although we found no reason to question part-time requirements. Overall, empirical evidence does not conclusively resolve the issue of whether program participation should be mandatory or voluntary.

In our view, the primary appeal of a job search program is: (1) its relatively low cost, and (2) the ability to apply the requirement to large portions of the welfare caseload with fewer practical problems than work experience or training programs. However, job searches usually do little to help recipients who have inadequate job skills.

The primary appeal of more intensive employment and training programs is the possibility of long-term impacts on participants' earnings and employment rates, although the effect on AFDC costs is less clear. Given the high costs of many such programs, targeting the most welfare-dependent AFDC subgroups makes sense and may result in welfare savings. While evidence about the cost-effectiveness of specific targeting strategies is somewhat tentative, we found general agreement between national and Minnesota data sources about factors that predict long-term welfare dependency. Furthermore, although the case for targeting is not fully conclusive, there are serious risks to *not* targeting the state's employment programs. Programs that fail to target might only help the easy-to-serve clients, an inefficent use of resources.

FIGURE 8.1

AFDC EMPLOYMENT PROGRAMS:
ARGUMENTS FOR VOLUNTARY AND MANDATORY SYSTEMS

Arguments for a voluntary system

- Government should set the goals for an employment program, but it should be as inobtrusive as possible in the program's implementation. This will help participants feel as if they are choosing their own future and are responsible for their own actions.

- While it is true that a voluntary system probably best suits well-motivated, short-term AFDC recipients, the Legislature should design welfare programs to encourage the best behaviors of the majority (the short-term recipients), not to discourage the undesirable behaviors of the minority.

- If the opportunities are available, AFDC recipients will take advantage of them.

- Parents should retain the option of raising their children full-time. We do not remove this option from the rest of society, so we should not mandate work for AFDC recipients. Research indicates that mothers satisfied with their roles (work and parenting) are better parents.

- Voluntary programs avoid the heavy-handedness of a mandatory program (such as requiring participants to document their job contacts) and they avoid the sensitive issue of sanctions for program non-compliance. Voluntary programs will focus recipients on the spirit of the law, not the letter of the law.

Arguments for a mandatory system

- While a voluntary system may be fine for motivated AFDC recipients, the chief purpose of an employment program should be to address the less motivated, less responsible part of the caseload. Only a mandatory system will address those trapped in the "culture of poverty," people whose lives need some discipline and structure to escape welfare dependence.

- A mandatory program may result in higher participation rates than a voluntary one, and this produces a greater sense of fairness among taxpayers. Mandatory programs contribute to a greater sense of social equality, i.e., that all employable people are carrying out the obligations expected of them, or that the public receives something in exchange for its welfare expenditures.

- A mandatory program more effectively communicates government's seriousness about addressing the welfare system's problems.

- To succeed, voluntary programs must appeal to people's self-interest. But some behaviors that government wants to encourage cannot be made to serve people's personal interests at reasonable costs.

Finally, we think three other issues related to AFDC employment programs merit the Legislature's attention. These issues require legislative judgment more than they require empirical data:

- *Is welfare dependency primarily an economic problem or a social problem?* If a key reason for long welfare stays is the lack of jobs in Minnesota's economy, then employment programs might fail to reduce dependency. We found that 18 percent of AFDC Regular cases and 30 percent of AFDC Unemployed Parent cases live in counties where the unemployment rate exceeds 7.0 percent.

- *Should welfare recipients be expected to take any jobs, even if the jobs do not bring them out of poverty?* California's GAIN program allows recipients to reject offers of low-wage jobs that would cause a net loss of income and that are inconsistent with their employment plan. However, other people argue that everyone has a societal obligation to work, and there are no guarantees of "good jobs" for anyone.

- *If the Legislature requires participation by AFDC mothers in employment programs, should it also require participation by absent fathers?* States that design work programs intent on enforcing recipients' work obligations to society should perhaps show equal zeal in enforcing fathers' obligations to their families.

The Extent and Effects of Maternal Employment

Chapter 9

As noted in the previous chapter, some people believe that government should encourage work among welfare recipients as a matter of fairness. They further suggest that, because increasing numbers of women entered the labor market in recent years, it is appropriate to expect a similar commitment to work among AFDC recipients. In this chapter, we review recent data on the extent of maternal employment.

In addition, we reviewed existing research on the effects of maternal employment. Although the AFDC population consists of diverse subgroups, all AFDC families have one thing in common--children. Because some people advocate making employment or training programs mandatory, and because we noted in the previous chapter that it may be cost-effective to include women with children under age six in such programs, we asked:

- Does maternal employment produce any harmful effects in the women or their children?

- Since full-time, mandatory work or training programs would necessitate non-parental child care for the children of single parents, does non-parental care for infants pose any risk to the children's development?

A. THE EXTENT OF MATERNAL EMPLOYMENT

One of America's most dramatic social changes in recent years has been the increasing entrance of women into the labor force. More than 60 percent of mothers now work, although most do not work full-time year-round:

-- *National rates of maternal employment.* In 1984, 61 percent of women with children under age 18 were in the work force, including 52 percent of women with children under age six.[1] Mothers with college degrees are twice as likely as mothers who never finished high school to enter the work force within a year after giving birth.[2]

-- *First-time mothers*. In 1985, 57 percent of first-time mothers in the U.S. population were in the work force within one year of giving birth. Of women who already had at least one child, 43 percent were in the work force within one year of giving birth.[3]

-- *Labor force participation rates by marital status*. The percentage of single mothers in the work force is higher than the percentage of married mothers in the work force. This is true for mothers of all ages of children, except those with children under a year old.[4] Among single mothers, divorced women have the highest labor force participation rates and never-married women the lowest.[5]

-- *Full-time versus part-time work*. In 1985, 82 percent of employed single mothers worked full-time, compared to 68 percent of employed married mothers.[6] About 38 percent of female household heads work full-time year-round, while less than 34 percent of married women work full-time year-round.[7]

-- *Minnesota's rates of maternal employment*. In 1984, 63 percent of Minnesota women were in the labor force, the third highest of all states.[8] In 1980, 71 percent of Minnesota female heads of families worked, and 51 percent of female heads of families in poverty worked. Tables 9.1 and 9.2 provide comparative data on surrounding states. Minnesota's female-headed

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[1]Arthur J. Norton and Paul G. Glick, "One Parent Families: A Social and Economic Profile," *Family Relations*, January 1986, p. 13.

[2]Bureau of the Census, *Fertility of American Women: June 1985*, Current Population Reports, Series P-20, No. 406, p. 6.

[3]*Ibid.*, pp. 4-5.

[4]Howard Hayghe, *Monthly Labor Review*, February 1986, p. 44.

[5]Norton and Glick, *op. cit.*, p. 13.

[6]Hayghe, *op. cit.*, p. 45.

[7]Bureau of the Census, *Money Income of Households, Families, and Persons in the U.S.:1984*, Current Population Reports, Series P-60, No. 151, p. 97.

[8]Bureau of the Census, *State and Metropolitan Data Book: 1986*, p. 550.

TABLE 9.1

PERCENT OF ALL FEMALE FAMILY HEADS WHO WORK

	1970	1980	Percent Change
Minnesota	49.9%	70.7%	+41.7%
Wisconsin	55.7	66.8	+19.9
North Dakota	47.8	70.8	+48.1
South Dakota	46.9	70.4	+50.1
Iowa	53.2	68.7	+29.1
U.S.	51.6	62.5	+21.1

Source: 1970, 1980 U.S. Census.

TABLE 9.2

PERCENT OF FEMALE FAMILY HEADS IN POVERTY WHO WORK

	1970	1980	Percent Change
Minnesota	31.4%	50.5%	+60.8%
Wisconsin	37.5	35.1	- 6.4
North Dakota	32.7	59.6	+82.3
South Dakota	33.6	56.7	+68.8
Iowa	34.6	50.1	+44.8
U.S.	35.1	40.8	+16.2

Source: 1970, 1980 U.S. Census.

families experienced large increases in employment in recent years, although Minnesota's employment levels are about average compared to surrounding states.

B. EFFECTS OF MATERNAL EMPLOYMENT

Many states implementing AFDC work and training programs are encouraging mothers to work toward self-sufficiency instead of being full-time caretakers of their children. We reviewed existing research to determine whether there are adverse psychological effects of maternal employment on women or children.[9] We found little evidence that maternal employment, by itself, produces ill effects in children. Social, cultural, and economic factors generally influence a child's socialization more than whether the child's mother works. The studies indicate the importance of stable, stimulating caretaking for normal child development, regardless of whether this comes from mothers, fathers, or non-parental child care providers.

Many female household heads find employment rewarding, both emotionally and financially, thus benefitting their families. Studies suggest that:

- A key factor in maternal employment is the mothers' satisfaction with her family and work roles. Mothers satisfied with their roles--whether they work or not--tend to have better adjusted children than unsatisfied mothers.[10]

This conclusion relates to the issue of whether AFDC employment programs should be mandatory or voluntary. For example, some people suggest that

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[9]Research reviewed included: C. Etaugh, *Effects of Maternal Employment on Children: An Updated Review*, 1984; M.A. Easterbrooks and W.A. Goldberg, "Effects of Early Maternal Employment on Toddlers, Mothers, and Fathers," *Developmental Psychology*, vol. 21, No. 5, 1985; M. Gerson, J.L. Alpert, and M.S. Richardson, "Mothering: The View From Psychological Research," *Journal of Women in Culture and Society*, Spring 1984; E. Devall, Z. Stoneman, and G. Brody, "The Effects of Divorce and Maternal Employment on Pre-Adolescent Children," *Family Relations*, January 1986; E. Hock, K. Christman Morgan, and M. Hock, "Employment Decisions Made by Mothers of Infants," *Psychology of Women Quarterly*, Vol. 9, No. 3, 1985; R.E. Anderson-Kulman and M.A. Paludi, "Working Mothers and the Family Context: Predictive Positive Coping," *Journal of Vocational Behavior*, June 1986; N. Pistrang, "Women's Work Involvement and Experience of New Motherhood," *Journal of Marriage and the Family*, May 1984; W. Alvarez, "The Meaning of Maternal Employment for Mothers and Their Perceptions of Their Three-Year Old Children," *Child Development*, 1985, Vol. 56.

[10]Easterbrooks and Goldberg; Etaugh; Pistrang; Hock, Morgan, and Hock; Anderson-Kulman and Paludi; Alvarez (*op. cit.*).

work requirements benefit recipients by enforcing the work obligations viewed as normal for others in society.[11] However, our review of maternal employment studies suggests that forcing recipients to work in low-skill, low-wage jobs might negatively affect the mothers' esteem and their children's socialization.

Studies also conclude that:

- Maternal employment seems to cause no harmful effects to the mother-child attachment.

Maternal employment per se does not pose a risk to the bonding process between mother and child. In general, children do not have less family contact in families with employed mothers. Single mothers sacrifice time in their personal care activities (including sleep and rest), but not in the time spent interacting with their children.[12] However, there remains the possibility that, although working mothers spend time with their children, the distractions of a stressful life affect the quality of working mothers' emotional attachments.

The studies suggest that parents do not all experience work in the same way, nor does parental work result in consistent effects on all children. However, for various age groups, studies show no consistently negative effects of maternal employment. Most studies of infants show no important differences in parent or child behavior between families with working and non-working mothers. Similarly, studies show no serious effects of maternal employment on pre-schoolers, although some indicate more adverse effects on boys than girls. Among children in elementary school, maternal employment appears unrelated to school achievement for girls, and maternal employment produces no effect or somewhat poorer school achievement for boys. Studies of black families show that maternal employment actually enhances black children's academic performance. Some studies point to negative effects of maternal employment, such as less participation in school activities and greater incidence of illness, but these results have not been consistently documented.[13]

It is important to emphasize that studies examining the effects of maternal employment have a short history, with most conducted in the past decade. As such, the results remain far from conclusive. Most of the studies have been short-term, so some of the effects noted may be temporary. Similarly, it is possible that some effects may not show up until later in a child's life.

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[11]Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship*, 1986.

[12]Margaret Mietus Sanik and Teresa Mauldin, "Single Versus Two Parent Families: A Comparison of Mothers' Time," *Family Relations*, January 1986; Sheila B. Kamerman and Cheryl D. Hayes, *Children of Working Parents*, 1983, p. 225; Easterbrooks and Goldberg, *op. cit.*

[13]Etaugh (*op. cit.*) presents a good summary of the literature.

C. THE EFFECTS OF NON-PARENTAL INFANT CHILD CARE

In Chapter 8, we concluded that *from a cost-effectiveness standpoint*, it makes sense to apply AFDC employment programs to women with children under age six, rather than waiting until the children are older. Two additional issues in the debate about applying employment programs to AFDC recipients with children under six are (a) whether women on AFDC should have the option of raising their children full-time instead of fulfilling obligations to obtain work or training, and (b) whether non-parental child care adequately meets the developmental needs of young children, particularly infants. Resolving the first issue requires value judgements, and resolving the second issue requires evidence about the effects of non-parental child care on young children.

The federal government and most state governments have not mandated AFDC employment programs for women with children under age six, giving women the option of full-time caretaking during their children's early years of development. However, as increasing numbers of women with young children entered the work force, and as some evidence emerged that early welfare interventions prevent long-term dependence, the application of AFDC employment programs to mothers of young children became a more acceptable option. Figure 9.1 shows the states granted federal waivers since 1981 to apply various AFDC employment or training programs to women with children under age six.

In our review of existing research, we observed that studies of non-parental child care have not found pervasive negative effects on children.[14] There is consensus in previous studies that non-parental child care does not inhibit child-parent bonding in most children.[15] However, while most children form secure attachments to parents, questions remain about infants placed in low quality child care and infants in stressful environments. As the most recent literature summary concludes:

> "(A) socially impoverished day care center poses some risk to an infant's social subsystem. The risk for damage increases if the child who experiences poor infant day care also comes from a highly stressed home environment, or one without a father. . .[16]

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[14]Two excellent literature reviews are: Thomas J. Gamble and Edward Zigler, "Effects of Infant Day Care: Another Look at the Evidence," *American Journal of Orthopsychiatry*, January 1986; Michael Rutter, "Social-Emotional Consequences of Day Care for Pre-School Children," *Day Care: Scientific and Social Policy Issues* (ed. Edward Zigler and Edmund Gordon), 1982.

[15]Various environmental factors influence children's attachments to parents, and those factors exert an influence at least through 18 months of age.

[16]Gamble and Zigler, *op. cit.*, p. 29.

FIGURE 9.1

STATES WITH FEDERAL AUTHORITY TO APPLY AFDC WORK PROGRAMS TO PARENTS OF CHILDREN UNDER AGE SIX

- Seven states have federal waivers to apply Community Work Experience Programs (CWEP) to AFDC recipients with children ages 3 to 6:

Idaho	North Carolina	South Carolina
New Mexico	Oklahoma	
New York	Pennsylvania	

- Four states have federal waivers to apply AFDC employment programs other than CWEP to recipients with children ages 3 to 6:[a]

Arkansas	Colorado
Arizona	Nebraska

- Three states received federal waivers to apply AFDC employment programs other than CWEP to parents younger than age 3:

Oregon	(Has authority to apply job search and work requirements to recipients with children ages 1 to 5; the state legislature has not approved requirements for women with children less than age 3)
Michigan	(Waiver authorizes program requirements for recipients with children six months and older)
Oklahoma	(Waiver authorizes program requirements for all recipients, regardless of the youngest child's age)

Source: U.S. Department of Health and Human Services, Office of Policy and Evaluation, December 1986.

[a]The state of Washington received a waiver and implemented a program requirement for women with children ages 3 to 5. After the waiver period expired, Washington chose not to continue requirements for women with children under age six.

According to the authors, the most valid studies "...generate some evidence of disturbed parent-child attachments as a result of early day care," although even the most pessimistic results show that the majority of infants in day care developed secure attachments by their first birthday.[17] The authors report that insecure parent-child attachments make children more vulnerable to stressful events later in life.

The research remains inconclusive on many other child care issues. There is no consensus that non-parental child care's effects differ by gender of the child. Also, while many studies suggest that group day care settings produce aggressive, assertive, peer-oriented children, the evidence is not conclusive.

On the whole, our primary concerns about non-parental child care's effects are with children of a very young age (less than 18 months) whose parents work full-time. It is likely that, for some children in low-income families, the day care setting provides a stimulating environment and enhances development. However, we conclude that:

- Based on our review of the literature, sufficient doubts remain about the effects of non-parental infant child care that we cannot recommend mandatory participation of AFDC single parents with infants in full-time work, training, or education programs.

As noted in Chapter 8, targeting potential long-term welfare recipients early in their welfare stay is a promising strategy, since this may produce greater welfare cost savings than later interventions. Thus, *from a cost-effectiveness standpoint*, we support the notion of extending work, training, or education programs to AFDC recipients with children under age six. However, given our concerns about the availability of quality infant child care (not to mention concerns about the costs of providing such care), the Legislature should not at this time consider intensive program requirements for mothers of children less than 18 months old. This does not rule out the possibility of part-time requirements (such as enrollment in General Educational Development certificate courses for recipients without high school diplomas), nor does it rule out full-time requirements for women with children ages 18 months to six years.

As with maternal employment, the history of research on non-parental child care's effects is short. Most of the research measures the effects of very high quality day care (which most low-income parents probably cannot afford), and relatively little measures child care's effects on infants. Few studies examine non-parental child care's effects over a long period of time.

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[17] *Ibid.*, p. 34.

Child Care for AFDC Recipients

Chapter 10

The availability and cost of child care are often cited as obstacles to AFDC recipients who try to become more self-sufficient. To address the problem, the Legislature established the Child Care Sliding Fee program in 1979. The program allocates grants to counties for child care subsidies to low-income families that meet eligibility guidelines.

In the 1985 Jobs Act, the Legislature transferred administration of the program from the Department of Human Services to the Department of Jobs and Training.[1] The shift reflected the Legislature's intent to link subsidized child care with other programs that help low-income persons gain employment and become more sufficient. The 1985 Jobs Act also gave the counties much more responsibility for coordinating training, employment, and support programs directed at welfare recipients.

We asked:

- How have counties used state grants for subsidized child care? Do they target the funds to benefit certain groups?
- How well are counties coordinating their use of state funds with other sources of subsidies?

During our research, we reviewed the plans submitted by each county to the Department of Jobs and Training for grants distributed in 1987. We also interviewed child care administrators in 23 county agencies to find out how they used child care subsidies and whether child care was generally available in their counties.

A. CHILD CARE'S ROLE IN PARENTAL EMPLOYMENT OR TRAINING

The demand for non-parental child care increased in recent years, as more and more mothers went to work. Consequently, many mothers encountered

[1]Minn. Laws 1985, Ex. Sess., Chap. 14, Article 9, sec. 72.

shortages of high quality, affordable child care. Arranging child care is a particular challenge for AFDC single parents, whose households usually lack a second adult caretaker, and whose low incomes limit child care choices.

However, existing research findings suggest that the lack of child care might not be the primary obstacle to employment for most AFDC recipients. A 1984 Minnesota State Planning Agency survey of AFDC single parents found that 48 percent reported child care problems to be a barrier to employment, though only eight percent of those surveyed reported child care problems as the main barrier.[2]

Consistent with this finding, past studies suggest that greater access to child care among low-income women contributes to only modest increases in employment. Studies in Seattle and Denver during the early 1970s found that child care subsidies increased single parents' use of licensed child care by only six percentage points, and paid sitters by up to 29 percentage points.[3] The studies concluded that there was "significant resistance" among single-parent families to the use of licensed child care, even when it is subsidized.[4] A separate 1973 review of national research concluded that providing free and adequate child care to low-income mothers would increase their labor force participation by 10 percentage points.[5]

Although the studies suggest that child care subsidies by themselves help only a small portion of recipients find work, this should not diminish their importance. Many recipients face multiple barriers to employment, and the Legislature probably should not expect the elimination of a single obstacle to dramatically increase employment rates.

While child care plays a key role in helping some recipients find employment, it need not always be licensed care. The most recent national data on child care indicates that many working single mothers arrange for child care with relatives rather than with licensed providers. In 1982, 45 percent of employed single mothers with children under age five arranged for child care with relatives, down slightly from previous years. About

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[2]Sample size was 135. State Planning Agency, "Minnesota Jobs and Income Survey," November-December 1984.

[3]In Seattle, where child care subsidies were as much as $7.50 per day, the proportion of one-parent families using licensed care increased from 8 to 14 percent; the proportion of families using sitters increased from 25 to 54 percent.

[4]Stanford Research Institute, *A Study of the Demand for Child Care by Working Mothers*, 1975, p. v.

[5]From 32 to 42 percent. Jack Ditmore and W.R. Prosser, *A Study of Day Care's Effect on the Labor Force Participation of Low-Income Mothers*, 1973.

28 percent arranged for care by non-relatives in homes, and 20 percent took their children to child care centers.[6]

What remains unclear is whether these arrangements fully reflect parental preferences. Perhaps single parents arrange for child care by relatives when they cannot afford or find available licensed care. Some indication of parental preferences will emerge from California's recently enacted GAIN program for AFDC recipients, which offers subsidies both for licensed child care and for in-home child care provided by family or friends.

B. STATE GRANTS FOR SUBSIDIZED CHILD CARE

1. CHILD CARE SLIDING FEE

The Minnesota Legislature established the child care sliding fee program as an experiment in 1979 and provided an appropriation of $1.5 million for the first biennium. The Legislature directed that about half of the funds be distributed to counties in the metropolitan area and the other half to outstate counties. Appropriations were increased, and 24 counties were participating in 1984. A special appropriation of $1.5 million for 1985 allowed expansion of the program to 29 more counties.

A substantial increase in the appropriation enabled the program to go statewide in 1986. The Legislature created a formula for distributing the money to counties based on each county's share of the state's families living below the poverty level and each county's share of the state AFDC caseload. Table 10.1 shows grants that were actually distributed to counties between 1984 and 1986 and the amount which has been allocated to each county in 1987.

Counties are required to contribute a 15 percent match toward the program. In our interviews with county child care administrators, eight said that their county contributes only the required match, while seven indicated that their county's match is substantially higher than 15 percent. Six other counties, including Ramsey and Hennepin, indicated that while they provide the required match for the child care sliding fee grant, they spend a good deal more county funds on other day care programs. Many of these county-funded programs have the same eligibility and subsidy standards as the child care sliding fee program.

2. OTHER SOURCES

Counties fund local social services, including child care, for certain target groups through a combination of county property tax revenues and state and federal social services block grants. The Department of Human

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[6]Martin O'Connell and Carolyn C. Rogers, *Child Care Arrangements of Working Mothers: June 1982*, CPS Series P-23, No. 129.

TABLE 10.1

CHILD CARE SLIDING FEE GRANTS TO COUNTIES

1984-1987

County	1984	1985	1986	1987
Aitkin			$ 3,861	$ 30,805
Anoka	$ 40,315	$ 22,304	22,521	236,375
Becker			14,452	62,983
Beltrami	21,000	62,443	66,479	91,805
Benton		4,067	24,243	35,228
Big Stone			7,865	10,980
Blue Earth			46,614	64,508
Brown		9,738	22,126	30,043
Carlton			6,069	50,783
Carver	8,870	16,779	10,270	37,058
Cass	26,541	61,029	43,330	63,593
Chippewa		2,440	8,101	19,367
Chisago			19,466	29,433
Clay		29,793	24,001	59,628
Clearwater			3,358	26,230
Cook	1,600	3,591	3,863	4,575
Cottonwood			2,406	20,893
Crow Wing	19,874	35,669	65,904	90,280
Dakota		47,904	58,623	202,673
Dodge	2,730	2,352	2,155	17,385
Douglas		8,696	8,798	40,260
Fillmore			3,914	33,550
Freeborn		13,792	10,342	45,445
Goodhue	3,311	15,676	26,289	36,905
Grant			1,185	10,370
Hennepin	218,141	636,826	711,992	1,529,423
Houston		1,866	9,697	20,588
Hubbard			6,607	37,058
Isanti	2,413	3,258	3,448	29,433
Itasca			35,293	88,603
Jackson			7,012	21,808
Kanabec			2,550	20,283
Kandiyohi		6,293	36,948	53,528
Kittson			1,006	9,150
Koochiching	3,000	19,929	23,195	32,483
Lac Qui Parle			1,688	14,945
Lake		2,955	5,712	14,182
Lake of the Woods			808	6,100
LeSueur			13,425	24,705
McLeod	4,100	12,079	9,374	26,535
Mahnomen			1,921	16,013
Marshall			2,209	18,758
Meeker		6,135	21,934	31,110
Mille Lacs			$ 8,744	$ 32,330
Morrison	$ 8,000	$ 25,706	11,434	61,610

Table 10.1, continued

County	1984	1985	1986	1987
Mower	3,250	4,764	15,874	53,833
Nicollet		5,166	17,978	25,468
Nobles		2,409	6,819	31,568
Norman			4,256	12,048
Olmsted	59,000	86,460	24,620	74,268
Otter Tail			18,064	79,148
Pennington			7,370	21,655
Pine			5,046	39,803
Pipestone	2,750	3,723	8,942	20,740
Polk			43,098	62,830
Pope		21,000	2,508	21,503
Ramsey	117,460	376,528	544,277	886,940
Red Lake	4,075	8,040	2,192	9,455
Redwood			13,387	26,688
Renville		2,348	2,532	22,418
Rice	21,000	40,909	30,141	41,175
Rock		991	3,258	13,878
Roseau			5,555	17,690
St. Louis	200,974	467,119	278,847	389,333
Scott			25,742	43,768
Sherburne	1,846	8,392	9,014	35,380
Sibley		3,007	9,140	18,300
Stearns		36,469	86,887	123,220
Steele			5,998	26,230
Stevens			4,741	14,030
Swift		3,121	12,916	22,570
Todd	3,250		29,244	53,070
Traverse			988	8,388
Wabasha		2,122	17,616	24,400
Wadena			3,825	31,873
Waseca		2,511	12,530	20,588
Washington	18,043	49,151	67,065	113,765
Wilkin		3,189	6,873	10,065
Winona			32,539	46,970
Wright	5,890	33,565	44,392	57,950
Yellow Medicine		1,266	2,370	20,283
Faribault/Martin/Watonwan		19,724	51,124	70,913
Lincoln/Lyon/Murray		14,151	49,831	68,015
TOTAL	$797,432	$2,247,444	$2,928,831	$6,100,000
METRO COUNTIES	$402,829	$1,149,492	$1,440,490	$3,050,000
OUTSTATE COUNTIES	$394,603	$1,097,952	$1,488,341	$3,050,000
METRO PERCENT	50.5%	51.1%	49.2%	50.0%
OUTSTATE PERCENT	49.5%	48.9%	50.8%	50.0%

Source: Expenditure data for 1984-1986 from Statewide Accounting. Initial allocation data for 1987 provided by Department of Jobs and Training.

Services estimates that counties spent $15.7 million on child care services in 1985, including services for abused and neglected children. AFDC recipients receive aid for child care from several sources. The child care disregard--the allowance for child care in AFDC grant calculations, explained in Chapter 1--is probably the most frequently used. Working AFDC recipients deduct up to $160 per child per month from their gross earnings when computing their AFDC grant.

Counties may use AFDC Special Needs funds to support child care as well as other employment needs. These funds are limited to recipients who are in education and training programs or searching for a job. About $1.6 million in state, federal, and county funds was available for employment assistance in both 1986 and 1987. The funds are distributed to counties in proportion to their AFDC caseload.

AFDC recipients in certain counties may receive child care assistance from the WIN program. In 1986, $711,754 was allocated for support services for AFDC recipients participating in the WIN program. According to the Department of Jobs and Training, most of this goes to child care. Since WIN participation is not required for recipients with children under six years old, most of the funds are spent for care of school-age children.

C. WHO IS SERVED BY THE CHILD CARE SLIDING FEE PROGRAM?

1. ELIGIBILITY

In 1985, the Minnesota Legislature required counties to make child care available to families who need it to find or keep employment, or to obtain training or education necessary to find employment.[7] Eligibility is limited to the following:

(a) Families receiving AFDC,

(b) Families whose income falls below AFDC eligibility levels,

(c) Families whose income is within a range determined by the Department of Jobs and Training (DJT).

The lower limit of this range is the AFDC income eligibility level, and the upper limit is 75 percent of the state's median income.[8] Only families in the third group pay for day care according to a sliding scale, since counties must make available some type of child care at no personal expense to families whose income is below the AFDC eligibility level.

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[7]Minn. Stat. §268.91, Subd. 4.

[8]Minn. Rules Part 3301.0560 (Emergency). Minn. Stat. §268.91, subd. 4(c) permits the Department of Jobs and Training to set this upper limit as high as 90 percent of state median income.

Currently, a family of three people with an annual gross income of $19,395 or less qualifies for the sliding fee program; this family would make a co-payment of $185 per month.

State laws and administrative rules set several limits on the child care sliding fee program. Eligible parents engaged in "job search" may not receive subsidies for more than 30 days. Eligible parents in education or training programs receive subsidies for 24 months or the length of their program, whichever is shorter. Recipients' education or training programs must have "demonstrated effectiveness," although this is not clearly defined. Finally, each county must set maximum subsidy rates between 110 and 125 percent of the county's median child care cost.

2. USE OF THE CHILD CARE SLIDING FEE PROGRAM

We contacted program administrators in 23 counties, including all seven counties in the Twin Cities metropolitan area, to find out which eligible groups utilize the child care sliding fee program and whether counties give priority to certain groups. These counties represented 64 percent of the state's population and 1987 child care sliding fee allocations.[9] Our findings are based on those interviews, which sometimes contradicted information found in county plans.

a. *Setting Priorities Among Eligible Groups*

The 1985 Jobs Act did not rank the eligible groups or activities (work, training, and job search) in a priority order. While the law does not favor any one eligible group, if counties provide "disproportionate" amounts of their child care funds to one, they must explain why to the Department of Jobs and Training. We found that:

- Most counties provide child care sliding fee services on a first-come, first-served basis. Few counties allocate funds on the basis of explicit priorities.

Of the 23 counties we contacted, 18 allocate funds on a first-come, first-served basis. Because AFDC recipients usually know more about program availability than non-AFDC recipients, they currently benefit from the method of fund allocation in many, though not all, counties. However, this also means that AFDC recipients have the most to lose if demand increases for the child care sliding fee program.

Many county administrators have not set explicit priorities among the three groups eligible for child care sliding fee because they believe that state law forbids it. However, we found no such prohibition in statute or rule, and the counties' confusion may result from the recent change in

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[9] One of the counties we contacted (Lac Qui Parle) does not operate a child care sliding fee program, because of the county's lack of child care providers, lack of demand, and the uncertainty of future state funding.

state law. The 1983 child care sliding fee law listed two eligible groups--AFDC recipients and other families whose income was below a ceiling set by each county--and gave AFDC recipients explicit priority. The 1985 Legislature removed this listing of priorities. While legislators may have expected counties to set their own priorities, many counties say they have interpreted the change in statute as eliminating state priorities and forbidding counties from setting their own. The Department of Jobs and Training, which is responsible for administering the program, has done little to help counties understand their role in setting priorities. The department says that, in a few cases, it has approved county plans which include explicit priorities.

While most counties do not explicitly prefer either AFDC or non-AFDC applicants for child care sliding fee subsidies, we found that:

- Some counties prefer to use other child care subsidy programs beside child care sliding fee for certain subgroups. As a result, there is considerable variation in the populations served by child care sliding fee programs in counties, and it would be difficult to predict which population subgroups would benefit from an increase in state funding for the child care sliding fee program.

Of the 23 counties we contacted, 11 counties primarily use or prefer to use child care sliding fee subsidies, not other sources, for AFDC recipients in education or training programs. In contrast, four counties do not use child care sliding fee funds for this population, and several other counties use AFDC Special Needs or WIN child care funds before using child care sliding fee funds.

Most counties rely primarily on the AFDC child care disregard to fund child care for working AFDC recipients. However, counties differ somewhat in the way they handle child care costs which exceed the disregard. Sixteen of the 23 counties contacted use only the child care sliding fee program to fund child care needs above the limits of the disregard, although some of those counties said they currently have no working AFDC recipients using child care sliding fee subsidies. Two counties said they always use funds other than child care sliding fee to pay the excess costs, and one county told us it does not fund child care costs that exceed the disregard, thereby excluding working AFDC recipients from the program.

According to our interviews, most of the non-AFDC recipients receiving child care sliding fee subsidies are employed, rather than in education or training programs. Of the 13 counties that said they do advertise their child care sliding fee program, eight use only this program to subsidize child care for employed, non-AFDC recipients. In contrast, one county uses only child care funds from its social services block grant to serve employed, non-AFDC recipients.

b. *Availability of the Program*

State law requires county boards to "insure that child care services available to county residents are well advertised...." and that all AFDC recipients and applicants are informed of child care and of training and employment opportunities.[10] The Legislature's apparent intent was that all eligible groups would have access to child care services. We found that:

- Many counties do not actively advertise the availability of the child care sliding fee program, and this particularly limits non-AFDC parents' knowledge of the program.

Of the 23 counties we contacted, 10 said that they do little or no advertising of their child care sliding fee program. Some counties chose not to publicize the program because they thought this would cause large numbers of people to apply, perhaps more than the county could fund. While most counties routinely inform AFDC recipients about child care subsidies, eligible non-AFDC recipients apparently have less opportunity to learn about the program. As a result, low-income parents may not find out about programs that could help them be self-sufficient.

Ten of the 23 counties we contacted said they had waiting lists for child care subsidies. However, the waiting lists are not good measures of the demand for child care.[11] One reason that waiting lists do not accurately reflect child care demand is that, as noted earlier, many counties limit demand by not publicizing child care subsidies. Thus, some counties without "waiting lists" may still have shortages of subsidized child care. Second, counties told us that their waiting lists include people who are ineligible for subsidized care, have moved out of the county, or have found affordable child care elsewhere.[12] This means that some waiting lists overstate counties' actual child care needs. Overall, while we found no evidence that there is a surplus of child care subsidies in the state, we also found no accurate way to estimate demand for child care sliding fee subsidies.

D. COORDINATION WITH AVTIs

Minnesota's 33 Area Vocational-Technical Institutes (AVTIs) provide post-secondary training for a wide variety of jobs. According to the Higher Education Coordinating Board, more than 2,000 AFDC recipients were enrolled as full-time students in AVTIs in 1985. In 1986, Minnesota's AVTIs received $380,000 in federal funds to provide day care for low-income single parents who are enrolled for at least six credits.

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[10]Minn. Stat. §268.91, Subd. 10.

[11]In eight of these counties, there was a single waiting list that encompassed all of the counties' child care programs.

[12]Hennepin County studied its waiting list and found that 60 percent of those on the list were ineligible or did not respond to follow-up calls.

We asked county administrators whether they use services and funds available at the AVTIs. We found that:

- Most counties do not coordinate child care subsidies and services with the local AVTI.

Only one county administrator reported that the county had a formal arrangement to coordinate county day care subsidies with AVTI funds. While eight of the county administrators were aware of AVTI funds, they said they made no effort to cooperate with the AVTI for AFDC recipients. Seven others were unaware that AVTIs offered day care subsidies or mistakenly thought that AVTI funds could not be used in conjunction with child care sliding fee funds.

E. CONCLUSIONS AND RECOMMENDATIONS

In our interviews, we found that AFDC recipients often have greater access than non-AFDC parents to the child care sliding fee program, but this is primarily because many counties do not publicize the program. Withholding information about the program may violate state law, and it probably discriminates against some eligible parents who are trying to remain off welfare. By limiting the demand for subsidies to the amount available, some counties avoid the difficult task of setting priorities.

The first-come, first-served method of fund allocation could particularly hurt AFDC recipients if applications for subsidies increase in the future. While it is not unusual for counties to encounter administrative difficulties with new programs, the problems cited are serious and require the attention of the Legislature, the Department of Jobs and Training, and counties.

During the 1987 session, the Legislature will consider separate requests for increased funding for subsidized day care from the child care sliding fee program, the AVTIs, and community colleges. In considering these requests, the Legislature should address problems in the current administration and coordination of child care programs.

We recommend:

- The Legislature should amend Minn. Stat. §268.91 to clarify the authority of counties to set priorities among the eligible groups and activities.

- The Legislature should review all budget requests for child care subsidies in a comprehensive manner and require counties, AVTIs, and community colleges to coordinate their programs and available funds.

A good first step toward improving coordination would be for the Department of Jobs and Training to enter into cooperative agreements with the state boards for community colleges and vocational-technical education. These agencies could then work with schools and county agencies to ensure that child care programs and funds are well coordinated. And, while we made no formal findings in this regard, our concern about poor coordination of subsidies extends to the use of WIN and AFDC Special Needs funds.

During our study, we observed that the child care sliding fee program has been something of an orphan. When it was transferred to the Department of Jobs and Training in the fall of 1985, it was assigned to staff members who already had full-time responsibilities for other programs. While the department has fulfilled its duties of reviewing counties' plans and distributing grants, it has not offered training for county staff and managers or even communicated regularly with county program administrators. As we noted above, the department has not helped counties understand the scope of their authority in deciding who will be served by the program.

This problem has been exacerbated by the rapid expansion of the program. More than 30 small and medium-sized counties first joined the program in 1986. From our interviews, it seems that some of them are struggling with administration of their programs, and need technical assistance and other help to use state funds effectively.

We recommend:

- The Department of Jobs and Training should provide leadership and technical assistance to help counties operate their child care sliding fee programs.

Child Support Enforcement: State and County Efforts

Chapter 11

In Minnesota, 88 percent of households receiving AFDC are headed by women with no spouse present. Additional female-headed households live on incomes below or close to poverty level, but do not currently receive public assistance. Most of these women are divorced from or were never married to the fathers of their children, and most of the fathers do not make regular financial contributions to the support of their children.

Child support enforcement is an important issue for two main reasons. One is a moral or equity reason--fathers have an obligation to support their children, and children have a need for and a right to their support. The other issue is more pragmatic. As welfare costs rise, government looks for ways to save money. Contributions by fathers save AFDC expenditures by offsetting a portion of the payments and by allowing some families to get off or stay off welfare.

We examined the child support enforcement program in Minnesota. In this section, we discuss the efforts required by state and federal law, and the enforcement measures available to enforcement units. We asked:

- Do counties effectively use enforcement tools to collect child support payments?

- Are child support enforcement efforts paying off in lowered AFDC costs?

The Office of Child Support Enforcement (OCSE) computes statewide averages of several measures of effectiveness. It found that in 1986, county child support units collected $65 million, an average of $573 per case. Statewide, the average collection-to-cost ratio was 3.2 in 1986. Thus, for every dollar spent to administer the child support program, $3.20 was collected from absent parents. OCSE also found that, in 1986, counties made collections on 40.5 percent of statewide AFDC cases, and 10.8 percent of total statewide AFDC grants of $257.7 million were recovered.

County child support enforcement units handle two types of cases; those in which the client is receiving public assistance, and non-public-assistance cases. By law, all recipients of public assistance are considered to have assigned any rights to child support or maintenance to the child support enforcement agency. Thus, AFDC cases are automatically enforcement cases, regardless of whether collection has been a problem. In addition, county enforcement units are required to provide services to people who request them who are not receiving public assistance, called "private clients". Private clients may request county services when collection has been a problem, in interstate collection cases, or when the client simply prefers not to deal directly with the other parent.

A. CHILD SUPPORT LAWS AND ENFORCEMENT MECHANISMS

In 1975, Congress passed Title IV-D of the Social Security Act, creating the federal program for child support enforcement. The program was designed to ensure that paternity was established and support collected for children receiving AFDC. 1984 amendments to the act require states to have child support guidelines in place by October 1, 1987 (Minnesota has had child support guidelines since 1983). States must enact new collection remedies, including mandatory wage withholding, imposition of bonds, securities, or other guarantees, liens on property, and interception of federal and state income tax refunds. The 1984 amendments also made changes to the federal funding formula to encourage states to provide services to private clients.

In Minnesota, the child support enforcement program is administered by enforcement units located within county social service departments. The federal government reimburses 70 percent of the state's administrative costs and provides additional incentives to local governments of about seven percent of child support collections. Child support enforcement units are responsible for establishing paternity, locating absent parents, obtaining support orders, and enforcing support obligations.

While child support enforcement is a federal program, its operation depends heavily on the state's support collection laws. In Minnesota, a number of laws combine to form the basis for child support enforcement efforts. One such law is the Uniform Parentage Act which requires the use of blood tests that provide effective evidence in paternity hearings.[1]

Minnesota passed the original Uniform Reciprocal Enforcement of Support Act (URESA) in 1951, and revised it in 1982.[2] This act allows for enforcement in Minnesota of a support order issued in another state. Other laws require that cost-of-living clauses be included in support orders, and set child support guidelines.

The 1980 Revenue Recapture Act and the 1982 Withholding of Tax Refunds from Child Support Debtors Act permit the Department of Revenue to with-

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[1]Minn. Stat. Chap. 256, Minn. Stat. §§257.51-257.75.

[2]Minn. Stat. Chap. 518C.

hold from the Minnesota tax refunds of people owing child support.[3] In the case of families who have received AFDC, the Revenue Department forwards the amounts collected to welfare agencies.

A 1983 law provides for liens against real estate owned by persons who are at least 30 days behind in child support.[4] If arrears are not paid, back child support is paid out of the proceeds when the property is sold. Finally, a 1984 law provides that public employees' pensions may be garnisheed to make child support payments.[5]

The federal government also provides several child support enforcement tools. The Federal Parent Locator Service can aid child support enforcement staff in locating absent parents. The records of the Departments of Treasury, Health and Human Services, Defense, and Transportation, and the Selective Service and National Personnel Records Center, are all utilized in searches for absent parents. County enforcement units may also collect delinquent support payments with "Project Intercept," a federal program which intercepts federal income tax refunds and forwards them to county agencies. Finally, state and federal regulations require deductions from unemployment compensation to collect delinquent support payments.

B. CONTENT OF REVIEWS BY OFFICE OF CHILD SUPPORT ENFORCEMENT

OCSE reviews county enforcement units to determine whether they are in compliance with federal and state requirements. Federal regulations require that 75 percent of appropriate files contain evidence of adjudicated paternity, an enforceable court order for support, current address of the parent liable for support, and evidence of current payment of support. The federal government may penalize the state by withholding between one and five percent of annual federal AFDC funds if the state's program is not found to be in compliance with these requirements.

For cases which do not meet the federal requirements, OCSE reviewers determine whether county enforcement units are making appropriate efforts to meet them. Furthermore, OCSE determines whether new child support orders contain state-mandated provisions, and whether counties are trying to add the provisions to existing orders. The requirements are for medical insurance, judgement liens, cost-of-living adjustments, and income withholding. All support orders issued since the date of the act must include the provisions in order for a county to be found in compliance with this portion of the regulations.

[3]Minn. Stat. Chap. 270A; Minn. Stat. §290.50, subd. 6.

[4]Minn. Stat. §548.091.

[5]Laws 1984, Chap. 547, Secs. 1, 4-14, 27.

We reviewed 1985 and 1986 OCSE reports on 20 counties. The reports contained evaluations of county efforts for 1,361 cases, three-fourths of which were AFDC cases. The reports represent about four percent of the total child support caseloads of the counties reviewed. OCSE selects counties for review which rank below the statewide average on three or more performance measures. Counties are also reviewed at their own request, or when federal auditors require it. Table 11.1 summarizes the results of OCSE's evaluations. The table shows that:

- Of the 20 counties reviewed, OCSE found six in compliance with federal requirements for locating absent parents, seven for establishing paternity, eleven for obtaining support orders, and only three for enforcing support obligations.

Only one county, Marshall, was found to be in compliance with all four measures of child support enforcement, and eight counties, including Hennepin and Ramsey, were not in compliance in any of the four areas.

In general, the OCSE reviews suggest that counties are not doing an adequate job of child support enforcement. Reviewers most often criticized counties for not taking all appropriate actions, or for not documenting the actions they did take. The reviews showed that:

- Counties made and documented appropriate efforts to locate about 29 percent of the absent parents with unknown addresses. Thirty-seven percent of the cases showed no documented effort to locate an absent parent, and 34 percent showed some effort, but needed follow-up.

- Of the cases without established paternity or an enforceable support order, 39 percent showed appropriate efforts to establish paternity. Thirteen percent showed no documented effort; 48 percent needed various kinds of follow-up.

- Of the 1,160 cases where paternity had been established, 949 contained a court order for support. Thirty-one percent of these included a medical insurance provisions, 12 percent had judgement lien provisions, 23 percent had provisions for cost-of-living adjustments, and 57 percent included income-withholding language.

The reviewers stressed the importance of these provisions as means of reducing enforcement costs. Most new court orders contained the provisions, but few counties were returning old orders to court so that the provisions could be added.

- Of the cases with adjudicated paternity but no enforceable order for support, 36 percent showed appropriate, documented efforts to obtain a court order. Twenty-four percent showed no effort, and 40 percent required follow-up by county enforcement staff.

- Of the cases which contained an order for support, but where the payer was more than 30 days behind in payment, 26 percent showed

TABLE 11.1

SUMMARY OF OFFICE OF CHILD SUPPORT ENFORCEMENT COUNTY REVIEWS

				Percent with Required Provision[1]				Percent with Appropriate Efforts to:[2]			
County	Review Date	Caseload	Cases Reviewed	Parent Address	Establish Paternity	Support Order	Timely Payment	Locate Parent	Establish Paternity	Obtain Order	Collect Payment
Becker	9/85	557	60	48%	67%	1%	32%	0%	33%	18%	0%
Blue Earth	6/85	610	50	94	61	78	52	67	100	100	43
Carver	10/85	172	30	83	73	83	80	60	33	67	80
Clay	6/86	619	64	83	79	89	53	45	33	33	29
Crow Wing	11/85	765	87	79	40	78	49	11	33	40	34
Hennepin	1/85	13,036	305	79	43	65	56	28	9	31	30
Kittson	1/85	36	10	80	0	90	33	0	0	0	50
Koochiching	5/85	270	19	79	84	74	60	50	50	67	20
LeSueur	6/85	169	25	96	75	84	62	0	100	50	50
McLeod	4/86	189	28	73	50	90	58	12	0	100	0
Mahnomen	9/86		23	26	45	33	0	0	0	0	0
Marshall	1/85	34	13	92	100	92	17	100	100	0	100
Morrison	1/86	489	53	89	57	75	48	50	67	67	24
Norman	9/85	88	21	76	50	86	28	0	0	0	0
Ramsey	12/85	10,863	173	70	71	76	47	27	0	27	14
St. Louis	3/85	3,447	163	85	53	67	52	56	54	75	47
Sheburne	3/86	286	50	68	50	74	19	87	100	0	10
Todd	2/86	324	51	70	62	66	17	0	0	8	11
Washington	10/85	1,859	118	91	33	77	41	9	67	0	20

Source: Department of Human Servies, Office of Child Support Enforcement, County Evaluations, 1985-1986.

[1] Percent of files reviewed which included required provision.
[2] Percent of those files which do not contain required provision, but which show appropriate efforts to correct deficiency.

appropriate efforts to obtain payment. Twenty percent showed no documented efforts, and 54 percent of the cases showed some effort, but required follow-up actions.

OCSE reviewers placed particular emphasis on three collection measures which are available to county IV-D staff--Project Intercept, the state tax offset, and the unemployment compensation intercept. The 20 counties submitted 19,069 cases to Project Intercept during 1985 and 1986. The state collected $2.7 million, or $475 per case. The reviewers found that 18 of the counties were making appropriate use of Project Intercept.

The 20 counties submitted a total of 19,429 cases to the state tax offset program. They collected $1.7 million, $224 per collection. OCSE found that eleven counties were making appropriate use of the offset program. Reviewers found that these programs have hardly been used at all for non-public-assistance cases, even in counties which effectively use the programs for AFDC cases.

OCSE found that only 10 of the 20 counties reviewed were making appropriate use of the unemployment compensation intercept. Federal and state laws require that unmet support obligations be paid when the person obliged to pay is collecting unemployment benefits.

C. STATE OVERSIGHT OF COUNTY CHILD SUPPORT EFFORTS

1. TARGETING STATE OVERSIGHT

A primary responsibility of the state Office of Child Support Enforcement is oversight of county enforcement efforts. We examined the extent of this oversight and found that three professional staff in OCSE evaluated the enforcement systems of 22 counties between January 1985 and December 1986. Typically, staff spent one to three days at each county reviewing files, although Hennepin and Ramsey counties required two to three weeks of file review. OCSE estimates that an average of 143 hours of professional and clerical staff time is spent on each review. Each county visit resulted in a written evaluation. OCSE made follow-up visits to three counties after initial evaluations indicated serious performance problems.

At its current pace of evaluating counties, OCSE would review the child support enforcement efforts of all 87 Minnesota counties once every seven or eight years. Given the frequency with which OCSE found enforcement problems during its recent county visits, this cycle of reviews may be too lengthy. On the other hand, if OCSE is focusing its efforts on the counties needing the most improvement, a schedule of 11 county visits per year might be adequate.

To determine whether OCSE targeted its evaluation efforts during the past two years, we reviewed data on child support effectiveness compiled for all Minnesota counties. Through four measures of county enforcement performance commonly used by both the federal and Minnesota child support offices, we found that:

- During 1985-1986, OCSE evaluated counties whose performance ranked below the state median, but it did not visit most of the counties whose performance was consistently poor.

For example, of the 10 counties that ranked in the bottom one-third of Minnesota counties on all four performance measures, OCSE evaluated only one in 1985-1986. Of the 21 counties ranked in the bottom one-third of counties on three of the four performance measures, OCSE visited seven.

We also reviewed the extent to which OCSE evaluated counties with large child support caseloads. During 1985-1986, OCSE reviewed counties representing 58 percent of the state's child support caseload, including the three counties with the largest caseloads (Hennepin, Ramsey, St. Louis). Of the 27 Minnesota counties with more than 3,000 active child support cases in 1986, OCSE visited 11 during the past two years.[6]

Overall, while OCSE's recent evaluations included counties representing large portions of the state's child support caseload, we think more of the poorly-performing counties need review. Indicators of poor performance are not perfect, but consistently low county rankings on the federal performance measures seem to be a reasonable benchmark.

- We think that all counties can benefit from periodic performance reviews and should be evaluated more often, which may require a larger OCSE staff. At the very least, however, OCSE should target its efforts toward the counties with the most to gain.

2. IMPROVEMENTS TO OCSE REVIEW STANDARDS

Officials we talked to in several counties generally considered the OCSE reviews to be useful. Some reviews serve an educational purpose, alerting counties to new enforcement techniques or clarifying rules and laws. In other cases, the reviews provide impetus to counties to make necessary changes, documenting shortcomings for county elected officials and welfare management. In addition, since the federal government audits counties periodically, the reviews help counties tailor their enforcement efforts to meet federal standards.

While we support this system of state reviews, we think OCSE's review process needs some fine-tuning. Specifically,

- OCSE should strive to develop a set of evaluation standards that counties consider appropriate.

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[6]While OCSE has broad discretion to choose counties to visit, its choice may sometimes be affected by other factors, such as counties' requests for reviews or the requirements of federal reviewers.

Some of OCSE's standards are those set in federal or state law, while others reflect the professional judgement of OCSE staff. In the past, the OCSE standards sometimes differed from those deemed reasonable by counties. Although such differences of opinion have not arisen in many counties, we think that both the state and the counties can benefit from agreed-upon performance measures. OCSE is not an audit agency and has no authority to penalize counties that are not complying. OCSE's effectiveness depends on its credibility with counties, and it should ensure that its evaluation standards are both explicit and accepted.

D. CONCLUSIONS

Based on our analysis of OCSE reviews of counties and statewide effectiveness measures, the child support enforcement program appears to be effective in reducing AFDC costs. In 1986, more than three dollars were collected for every dollar spent on enforcement. However, there appears to be considerable room for improvement.

- The OCSE reviews show that counties are not making full use of all of the enforcement tools available to them.

In part, this may occur because most of the benefits from increased collections accrue to the state, rather than to the counties, which retain only seven percent of collections. Under the current formula, some counties spend more to collect child support than they retain.

- The state should consider passing more of the savings along to the counties, perhaps based upon counties' performances on the statewide effectiveness measures described above.

In addition, OCSE reviews might be more effective if they were accompanied by sanctions for noncompliance. Currently, OCSE findings are apparently regarded as "suggestions," rather than as requirements, by some counties. Federal sanctions apply to the state, and probably could not be passed along to counties.

- County enforcement units should pay more attention to non-public-assistance cases.

The payoff in those cases is not as immediately apparent, but the long-run savings for families who avoid future dependence on AFDC should not be ignored. Finally:

- We feel that OSCE should expand its review process.

At its current pace, OCSE will review each county once every seven or eight years, and this probably is not adequate. At the very least, OCSE should more carefully target those counties which appear to have serious problems with child support enforcement.

Synthesis and Discussion

Chapter 12

This study of the AFDC program in Minnesota is a result of the 1986 Legislature's debate over welfare reform. Although most of that debate focused on the appropriate level of AFDC benefits, there was growing concern that AFDC was not helping recipients achieve self-sufficiency. Both political parties called for welfare reform.

While our study has not looked at all AFDC issues (for example, it has not focused on administrative efficiency), we have attempted to provide the Legislature with a basis for making some important decisions about the AFDC program's future. The study provides descriptive information about Minnesota's AFDC caseload, AFDC incentives, and the programs of other states. It also summarizes existing research on many welfare issues that provoke controversy. Finally, the study describes different approaches to welfare reform.

A. CONCLUSIONS AND RECOMMENDATIONS

Although the recent debate over AFDC reform might suggest that Minnesota faces a welfare "crisis," we think it is important to see the problems of the AFDC system in proper perspective. There are some positive indicators to report about Minnesota's AFDC program. Compared to other states, Minnesota's AFDC caseload per capita is relatively small, its AFDC population has a greater proportion of working recipients, and the length of time people spend on AFDC appears to be below average. Minnesota's teen pregnancy, out-of-wedlock birth, and divorce rates are below the national average, and this probably contributes to the state's lower caseload. Furthermore, while there is concern about Minnesota's high level of AFDC benefits, the benefits apparently help more AFDC recipients have standards of living above the poverty level than in other states, and the number of AFDC recipients migrating here from other states appears to be modest, not alarming.

However, these positive indicators are not necessarily signs that Minnesota's AFDC system is "doing things right." In fact, the system does little more for most AFDC recipients than provide a monthly welfare check. Furthermore, some of the positive indicators cited do not apply to Minnesota's entire caseload or to all parts of the state. For example, while Minnesota's overall teen pregnancy rate is low, its rate of teen pregnancy among the non-white population is very high. And while in-migration for AFDC benefits does not seem to be sizable for the state as a whole, some counties on Minnesota's borders and in the Twin Cities metropolitan area are processing considerable numbers of out-of-state AFDC applicants.

Increasingly, the national welfare debate is focusing on ways to help move AFDC recipients into employment. After reviewing the employability of Minnesota AFDC recipients and existing research on the effects of AFDC employment programs, we concluded that a greater emphasis on "welfare-to-work" programs is appropriate and feasible. Specifically, we found some basis for targeting long-term AFDC recipients, who account for a large portion of the AFDC system's costs. National studies suggest the best single predictor of long-term welfare dependency is marital status: never-married women stay on AFDC longer than divorced or separated women. In addition, the national studies suggest that recipients with poor educations and work histories are good target groups, since they tend to be long-term recipients and they benefit from employment programs more than other recipients.

Our analysis of Minnesota's AFDC caseload generally supports the national findings, although we were unable to extensively analyze the marital status of recipients. We found that, in Minnesota, long-term recipients are more likely than others to lack a high school education and to have a poorer work history. In addition, we found that people who enter the AFDC program as teens are more likely to be in the program a long time. We concluded:

- The Legislature should target certain subgroups of the AFDC population for work, training, or education programs if it wants to reduce state costs or improve recipient self-sufficiency.

However, we have two concerns about such targeting. First, while we have identified some recipient characteristics that seem to provide a good basis for targeting, and while there is agreement that programs should be targeted to the more disadvantaged subgroups, some questions remain about which recipient characteristics are the *best* basis for targeting. Second, programs that target certain AFDC subgroups have not been thoroughly evaluated. The federal Department of Health and Human Services recently sponsored several preliminary studies of targeting's potential, and it may fund experiments that evaluate targeting in the future. Although these concerns are important, we think they are outweighed by the risks of *not* targeting recipients. Employment programs that fail to target might miss opportunities for cost savings and might have little effect on recipient self-sufficiency.

Minnesota's current AFDC employment programs do not require the participation of women with children under age six. Applying these programs to women with children under six would require a federal waiver. However, recent studies indicate there may be benefits to encouraging recipients to work early in their stay on welfare, rather than waiting for many years. From a cost-effectiveness perspective, we support the extension of work or training requirements to women with children under six years old. Ultimately, however, deciding whether recipients should have the option of full-time motherhood rather than employment is a value judgment that the Legislature alone can make.

If the Legislature extends work or training requirements to women with children under age six, it needs to consider whether women with infants should be exempt. We reviewed research on maternal employment and infant child care, and we found that most children who receive non-parental child care adjust normally. However, researchers still have some questions about the effects of non-parental care on infants from distressed families. Thus, if the Legislature decides to apply work or training requirements to women with children under age six, we recommend that:

- The Legislature should not require full-time work or training for women with children younger than 18 months old.

This recommendation does not rule out the possibility of part-time requirements. For example, the Legislature may wish to consider requiring recipients without high school diplomas (even those with infants) to enroll in General Educational Development courses. Furthermore, the Legislature might require recipients to develop *plans* for self-sufficiency while their children are still infants.

There is a broader question of whether employment and training programs for women with children of any age should be mandatory or voluntary. Our review of research indicates that mandatory work or training is not always punitive, and most recipients who receive benefits in exchange for work express satisfaction with their jobs. Furthermore, if the Legislature wants to target work or training to certain AFDC subgroups, targeting might be most efficient if program participation is mandatory. However, we also found that mothers' and childrens' well-being is best served when mothers are satisfied with their roles, whether the role is full-time mothering, full-time employment, or something else; this supports the arguments for a voluntary system. We also found that Minnesota's recipients stay on AFDC for shorter periods and work more frequently than recipients in other states, so it might be possible to achieve high participation rates in welfare-to-work programs without making them mandatory.

In sum, the empirical evidence does not clearly suggest whether employment or training programs for AFDC recipients should be mandatory or voluntary. The Legislature might consider trying voluntary programs first, then changing to mandatory programs if participation rates are low.

If the Legislature's goal is to dramatically increase the rate of recipient participation in job search, work, or training programs, mandatory programs may accomplish this. But our study found that most Minnesota AFDC recipients have either (a) no high school diploma, (b) no recent work experience, or (c) large families, so immediate employment may not be practical. On the other hand, it is encouraging to note that very few recipients face all three of these barriers to employment.

The experience of states such as California, Illinois, and Massachusetts suggests that statewide employment programs (whether mandatory or voluntary) have high initial costs, particularly for child care, transportation, and program administration. However, many employment programs produce sufficient welfare savings to justify program costs, with the more intensive employment and training programs typically taking longer than job search programs to do so.

Although AFDC employment programs often result in increased earnings for participants and government welfare savings, the results are not dramatic. Participants' earnings usually increase because they work more hours, not because they obtain higher wages. Employment programs typically increase the employment rates of recipients by 5 to 10 percentage points, but welfare savings from the programs are very modest. Intensive employment and training programs have greater effects on earnings and employment rates than job search programs. Dramatic welfare savings are more difficult to achieve in high-benefit states like Minnesota than in low-benefit states, since recipients in high-benefit states usually need higher increases in earnings to get them off welfare.

It is important to note that even in cases where studies showed that employment programs' welfare savings did not "pay back" government's initial investment, most programs were cost-effective from the viewpoint of society as a whole. That is, participants' earnings increases exceeded program costs. Thus, society usually benefits from employment programs, although sometimes at a net expense to taxpayers.

One caution about employment program cost-benefit estimates is that they sometimes assume that AFDC recipients going to work do not displace other workers in the economy. If AFDC recipients merely displace other workers in the economy, employment programs may have little effect on a state's overall number of poor people.

In addition to looking at the potential for new employment programs, we also examined the work incentives of Minnesota's current AFDC system. Specifically, we looked at the rates at which recipients lose AFDC benefits as they earn income ("benefit reduction rates"). Existing research generally suggests that these reductions do not greatly affect the extent to which recipients work. We found that most working AFDC recipients in Minnesota lose more than 50 cents in benefits for each additional dollar they earn. Recipients earning between $7,000 and 10,000 per year find it particularly difficult to increase their disposable incomes by increasing their earnings. In contrast, AFDC recipients who do not currently work (the majority) face smaller work disincentives. Based on these findings, we concluded that:

- While lower benefit reduction rates might improve the fairness of the AFDC system, lowering the rates would come at some cost and result in relatively small changes in work behavior.

We think that there are some ways to use existing resources to better serve potential or current AFDC recipients. Many counties that operate the child care sliding fee program believe they are not permitted to set priorities among the eligible populations. Consequently, they operate programs on a first-come, first-served basis, and some counties restrict child care demand by not advertising. The lack of advertising limits the access of non-AFDC working poor people to child care subsidies that might eventually keep them off welfare. Furthermore, as we explain earlier in the report, the first-come, first served method of fund allocation could particularly hurt AFDC recipients if applications for the sliding fee program increase in the future. In Chapter 10, we recommend that the Legislature clarify counties' statutory authority to set priorities, and that the Department of Jobs and Training provide stronger leadership to counties, helping them establish their sliding fee programs.

We also examined the extent to which county child support offices collect support from absent fathers. Based on county reviews conducted by the Minnesota Office of Child Support Enforcement during 1985 and 1986, we concluded that counties are not adequately obtaining and enforcing court orders for support, as required by state and federal law. Current county practices could subject the state to federal penalties, but they also do a disservice to single mothers (both AFDC and non-AFDC) who depend on child support income to make ends meet. In part, the lack of county enforcement occurs because the state, not the counties, realizes most of the benefits from increased collection efforts. In Chapter 11, we recommend that the Legislature consider allowing counties to retain a greater portion of the support collections than they now do. We also think the Office of Child Support Enforcement should monitor county practices closely, targeting its oversight of counties to those that appear to have the most serious child support problems, and reviewing counties more frequently.

Finally, we think that the state needs to develop a more cohesive strategy for its current job programs, including the Jobs Training Partnership Act (JTPA), the Minnesota Emergency Employment Development (MEED) program, the Work Incentive (WIN) program, and grant diversion. As detailed in a companion report by the Office of the Legislative Auditor, few programs provide helpful services for the hard-to-serve portion of the AFDC population.

Overall, there is room for improvement in Minnesota's welfare system, and our recommendations address some of the more clear-cut issues. In fairness to Minnesota, most states are currently struggling with the more difficult issues of welfare reform. Although Minnesota does not have extensive welfare-to-work programs like some states, the results from those efforts are still unclear. Moreover, the resolution of some welfare issues requires difficult value judgments, which we discuss in the next section.

B. FUNDAMENTAL WELFARE ISSUES

This report presents a variety of data and discussions intended to inform legislative decision-making. Previous chapters contain the findings of our own research and summaries of research conducted by others. However, designing a welfare reform package requires legislators to consider some issues that have not been resolved by empirical research and some that never will be. Each of the fundamental questions listed below requires legislators to make judgments based on their values or perceptions.

1. *Is poverty primarily an economic or a social problem?*

If poverty is mainly an economic problem, it can be overwhelmed with cash, either by providing generous grants or by promoting an economy with well-paying jobs. But if poverty is a social problem, then the state needs to address the personal deficits and attitudes of recipients.

2. *If the Legislature considers some sort of job search, employment, training, or education program (voluntary or mandatory) for AFDC recipients, what should be the objective for this program?*

As discussed in the chapter on AFDC employment programs, one goal might be to *reduce welfare costs*. We found that employment programs tested in other states resulted in modest, not dramatic, reductions in welfare costs. A second objective might be to *increase recipients' self-sufficiency*. Employment programs often result in increased earnings, but usually this is caused by working more hours, not higher wage rates. The Legislature might also enact an employment program to *enhance the fairness* of the welfare system. That is, to ensure that employable AFDC recipients fulfill their obligation to work, some states require substantial portions of their AFDC caseloads to engage in job search, develop employment plans, or participate in work experience and training programs. It is clearly possible for Minnesota to increase the participation rates of AFDC recipients in employment programs, but at some expense. Finally, the objective of an employment program might be to *produce social benefits*. Most studies of employment programs indicate that participants' earnings increases exceed program costs, thus yielding a net benefit to society. In addition, many work experience programs have required recipients to perform useful public services that might otherwise not have been done.

3. *Do current Minnesota grant levels provide an adequate standard of living for AFDC recipients?*

It is possible to compare Minnesota's grant levels to the official poverty threshold, to grant levels in other states, or to the grant levels of previous years, and the comparisons are useful. We present such comparisons in this report. But objective measures of need never seem adequate. Ultimately, decisions about the extent of government's financial obligation to poor families come down to a subjective judgment by the Legislature.

4. *If AFDC benefits cause certain people to change their behavior, are the changes extensive enough to be concerned about?*

It is possible to make rough estimates of the number of people who behave in certain ways because of AFDC benefits. For example, we estimated that six percent of Minnesota's new AFDC recipients may have been attracted to the state by high welfare benefits. In addition, studies indicate that a

$1,000 increase in cash grants may cause recipients to work 90 to 120 fewer hours per year. However, while the extent of these behavior changes is measurable, legislators must judge for themselves whether the documented level of change is cause for concern. Some observers may view changes of these magnitudes as insignificant, while others may believe that such estimates justify AFDC grant reductions.

5. *Given that AFDC benefits cause people to behave in certain ways, are their behaviors desirable or undesirable?*

Our report suggests that benefit levels *may* have some effect on migration, work effort, family break-up, out-of-wedlock births, and long-term dependence. However, even if we can quantify the size of welfare's effects on behavior, the more relevant issue may be whether these behaviors are desirable or undesirable. Some people believe that we should never welcome or encourage divorce, out-of-wedlock births, or recipient migration to high-benefit states. In contrast, others argue that (a) it is better for a woman to rely temporarily on AFDC than to rely on a bad husband for a lifetime, (b) it is preferable for a woman to opt for an out-of-wedlock birth rather than an abortion, or (c) it is desirable when recipients act in their family's best interest, leaving states that provide inadequately for their needs. Thus, the desirability of AFDC's effects on behavior is an issue requiring legislators' value judgments. Evidence that welfare encourages certain behaviors does not resolve the policy debate.

6. *Is it fair to make AFDC recipients "preferred customers" for certain services when other low-income people do not have access to the services?*

Ideally, we want AFDC recipients to have good child care, good health care, and good jobs. But the Legislature should consider whether it is fair to reserve these things for AFDC recipients to the exclusion of others in similar situations. There are also questions about incentives, since these benefits may induce some people to enter or remain on AFDC. For example, counties might choose to give AFDC recipients priority for child care subsidies as a way of helping them find employment. But if recipients find that their subsidies end when they leave AFDC, the subsidies may create a disincentive to get off welfare.

7. *Is it fair to impose additional requirements on AFDC mothers without requiring more of the absent fathers?*

While many recent AFDC initiatives have targeted AFDC mothers, there has been increased interest in employment programs for absent fathers and better child support enforcement. Some people argue that the state should enforce fathers' financial obligations to their families as strongly as it enforces AFDC recipients' work obligations to society.

8. *Is it fair to give AFDC mothers the option of full-time parenting when so many other low-income mothers work?*

In recent years, the number of mothers of infants who went to work increased sharply, although many obtained part-time work. If the Legislature considers a full-time work or training requirement for AFDC women with children under age six, it must consider whether prohibiting the option of full-time parenting is justified.

9. *Would it be fair to target certain new AFDC applicants for special help without targeting similar individuals who are currently on the AFDC caseload?*

On the one hand, some research suggests that employment programs are most effective when they target people early in their welfare stay. On the other hand, it may be wrong to assume that current recipients--even those with long histories of welfare receipt--are unemployable.

10. *While we often hear about the need to create appropriate "welfare incentives," how do such incentives really work?*

In Chapter 6, we provide the Legislature with a framework for thinking about welfare incentives. When designing a welfare system, policy-makers often hope to create incentives for recipients to become self-sufficient, while minimizing incentives to work less, break up families, or stay on welfare for long periods. The Legislature needs to consider what motivates various people, and how people might respond to specific changes in the welfare system. For example, if AFDC recipients are trying to maximize their incomes, then it might make sense to consider changing AFDC benefit reduction rates, so that disposable income will rise as earnings increase. However, perhaps some people base decisions to work on considerations such as increased self-esteem or the value of time spent at home with children, not on income calculations. Or, perhaps legislative changes in benefit reduction rates are too subtle for recipients to grasp unless the changes are well-publicized.

11. *In designing an AFDC system that moves people toward self-sufficiency, should the Legislature try to appeal to recipients' economic self-interest, to their sense of obligation, or to both?*

It may be unrealistic to expect recipients to work if jobs pay less than welfare benefits, or if working recipients find that AFDC benefit reductions offset their increases in earned income. However, making self-sufficiency in recipients' economic self-interest may be expensive and may run counter to society's sense of fairness. Thus, some people argue government should convey its expectations to recipients regardless of the financial incentives, encouraging appropriate attitudes and behaviors in exchange for financial assistance.

12. *In those cases where research has left important welfare issues unresolved, with whom should the "burden of proof" rest?*

It is difficult to find definitive answers to many welfare issues. Although research has revealed much about the characteristics of welfare recipients and the causes of poverty, many hypotheses about the welfare system have not been the subject of extensive research. For example, *Losing Ground* author Charles Murray puts forth some provocative, plausible hypotheses about the welfare system (discussed in Chapters 4 and 6), and most of them have not been definitively proven or disproven. There certainly is a place for welfare decision-making based on instinct rather than facts, but some decisions may be important enough to demand solid empirical foundations. For such decisions, the Legislature may need to consider which arguments and hypotheses bear the "burden of proof," and which should be accepted until disproved.

13. *Given that the "state of knowledge" about AFDC and its effects is less than perfect (making clear-cut solutions elusive), what is the risk of selecting the "wrong" solution to the welfare system's problems?*

Because it is difficult to conclusively determine the extent to which AFDC payments change the attitudes or behaviors of Minnesota recipients, some assumptions must be made. If the Legislature assumes that welfare hurts some people more than it helps, then it may choose to cut grant levels in order to alter people's willingness to live on AFDC and the urgency with which they look for work. However, if the Legislature is wrong in assuming that cuts will make people better off, then it has not only failed to make people self-sufficient but it has also failed to support them adequately in the meantime.

The risk of leaving grants at high levels is that the Legislature might be promoting undesirable behaviors among some recipients. However, leaving grants at high levels also has an element of certainty--the Legislature can be certain that needy people have greater economic security than they otherwise would have.

Overall, while we doubt that these 13 questions will be resolved by research, it is important that each be considered by policy-makers. The choices and value judgments which the Legislature makes in response to these questions may shape the character of Minnesota's AFDC system more than other, more technical changes.

APPENDICES

Douglas County

[Date of Application: ____/____/____
[Applicant's S.S. #: _____-____-_______
[AFDC-eligible: Yes No->Referred to GA?___
[(circle one)
[Date on which eligibility was approved:
[____/____/____
[

NOTICE TO APPLICANT: These questions are being asked to assist the Legislative Auditor's Office in a study of the AFDC program. The information collected will be given to the Legislative Auditor's Office and used for research purposes only. The study will not identify you personally or use your name. Although you are not required to answer the questions, and your eligibility for assistance will not be affected if you refuse to answer, your cooperation is greatly appreciated.

1. Have you lived in Douglas County <u>less than</u> six months?

 ____ A. Yes--continue with questions 2 through 6.
 ____ B. No--END OF SURVEY.

2. How many weeks ago did you move to this county? ________ weeks

3. Where did you live immediately prior to moving to Douglas County?

 ________________ City

 ________________ State

 ________________ County

 ________________ Country (if other than United States)

4. Did you receive AFDC benefits in the month prior to moving to Douglas County?

 ____ A. Yes
 ____ B. No

5. How long has it been since you worked in a paying job, either full-time or part-time? (If U.P., ask of principal wage earner.)

 ____ months OR ____ applicant has never had a paying job

6. (To be answered only by applicants whose answer to Question 3 shows that they moved from another state)

 Have you ever lived in Minnesota before?

 ____ A. Yes
 ____ B. No

___ Check here if this survey could not be completed because the applicant refused to answer the questions <u>and</u> the financial worker did not know the information requested.

PLEASE RETURN SURVEYS TO: Office of the Legislative Auditor, Program Evaluation Division, 122 Veterans Service Building, St. Paul, MN 55155

TABLE B.1

NEW AFDC RECIPIENTS RECENTLY MOVED FROM SELECTED STATES

County	From Outside Minnesota	From: Iowa	North Dakota	South Dakota	Wisconsin	Illinois	Indiana	Arizona	California	Colorado	Texas
Aitkin	3	0	0	0	0	0	0	0	1	0	1
Anoka	33	2	1	2	3	0	1	2	2	1	5
Becker	0	0	0	0	0	0	0	0	0	0	0
Beltrami	15	0	0	0	2	0	0	1	0	0	1
Benton	5	0	0	1	2	0	0	0	1	1	0
Big Stone	6	0	0	5	0	0	0	0	0	0	1
Blue Earth	14	5	1	1	0	1	0	1	0	1	0
Brown	3	0	0	0	0	0	0	0	0	0	0
Carlton	8	0	1	0	0	0	1	0	1	0	0
Carver	2	0	0	0	1	0	0	0	0	0	1
Cass	11	1	1	0	0	1	0	3	1	1	0
Chippewa	2	1	0	0	0	0	0	0	0	0	1
Chisago	0	0	0	0	0	0	0	0	0	0	0
Clay	59	0	34	2	0	0	0	0	0	1	14
Clearwater	6	0	1	0	0	0	0	0	2	0	0
Cook	0	0	0	0	0	0	0	0	0	0	0
Cottonwood	4	1	0	3	0	0	0	0	0	0	0
Crow Wing	11	0	1	1	0	0	0	1	3	1	0
Dakota	35	4	2	1	2	2	1	2	2	1	2
Dodge	11	1	0	0	3	0	0	0	1	1	2
Douglas	8	0	2	1	0	0	0	0	0	0	0
Fillmore	5	2	0	0	0	0	0	1	0	0	0
Freeborn	10	3	0	0	0	0	0	0	1	0	2
Goodhue	11	0	0	0	6	0	0	0	0	0	0
Grant	0	0	0	0	0	0	0	0	0	0	0
Hennepin	338	19	1	13	23	64	32	6	29	7	11
Houston	5	0	0	0	2	0	0	0	0	0	1
Hubbard	5	1	0	0	0	1	0	0	1	0	0
Isanti	0	0	0	0	0	0	0	0	0	0	0
Itasca	18	0	0	0	1	0	0	0	0	3	2
Jackson	0	0	0	0	0	0	0	0	0	0	0
Kanabec	6	0	0	0	1	0	0	0	2	2	0
Kandiyohi	16	1	0	1	0	1	0	0	3	0	7
Kittson	2	0	0	0	0	0	0	0	0	0	0
Koochiching	2	0	0	0	0	0	0	0	0	0	0
Lac Qui Parle	0	0	0	0	0	0	0	0	0	0	0
Lake	2	0	0	0	0	0	0	0	1	0	1
Lake of the Woods	0	0	0	0	0	0	0	0	0	0	0
LeSueur	3	1	0	0	1	0	0	0	0	0	0
McLeod	4	0	0	0	0	0	0	0	0	0	1
Mahnomen	1	0	0	0	0	1	0	0	0	0	0
Marshall	1	0	1	0	0	0	0	0	0	0	0
Meeker	5	0	0	1	0	0	0	0	0	0	3

Table B.1, continued

County	From Outside Minnesota	Iowa	North Dakota	South Dakota	Wisconsin	Illinois	Indiana	Arizona	California	Colorado	Texas
		From									
Mille Lacs	11	0	1	0	1	1	0	1	1	0	0
Morrison	6	0	0	0	0	0	0	1	0	0	1
Mower	9	2	0	1	3	0	0	0	0	1	0
Nicollet	0	0	0	0	0	0	0	0	0	0	0
Nobles	15	4	0	2	0	0	0	0	2	1	0
Norman	1	0	0	0	1	0	0	0	0	0	0
Olmsted	9	1	0	0	0	1	1	1	0	1	0
Otter Tail	16	0	3	0	2	0	0	0	2	0	3
Pennington	4	0	1	0	0	1	0	0	0	0	1
Pine	5	0	0	1	0	0	0	0	1	1	1
Pipestone	15	0	2	10	0	0	0	0	1	0	0
Polk	38	0	24	0	0	0	0	0	1	0	5
Pope	3	1	0	0	0	0	0	0	0	0	0
Ramsey	180	5	6	3	23	31	9	4	14	7	11
Red Lake	0	0	0	0	0	0	0	0	0	0	0
Redwood	1	0	0	0	0	0	0	0	0	0	0
Renville	1	0	0	0	0	0	0	0	0	0	1
Rice	11	2	0	0	1	0	0	0	1	1	0
Rock	4	3	0	1	0	0	0	0	0	0	0
Roseau	2	0	1	0	0	0	0	0	0	0	0
St. Louis	70	1	3	1	8	5	1	3	4	5	7
Scott	4	1	0	0	1	0	0	0	0	0	0
Sherburne	7	1	0	0	0	0	0	2	3	0	1
Sibley	1	0	0	0	0	0	0	0	0	0	0
Stearns	7	0	0	0	0	2	0	0	2	0	0
Steele	0	0	0	0	0	0	0	0	0	0	0
Stevens	0	0	0	0	0	0	0	0	0	0	0
Swift	1	0	0	0	0	0	0	0	0	0	0
Todd	1	0	0	0	0	0	0	0	1	0	0
Traverse	2	0	0	1	0	0	0	0	0	0	0
Wabasha	6	0	1	0	1	1	1	0	0	1	1
Wadena	9	0	1	0	1	0	0	1	0	1	0
Waseca	2	0	0	0	0	0	0	0	2	0	0
Washington	7	0	1	0	2	0	0	3	0	0	0
Wilkin	4	0	3	0	0	0	0	0	0	0	0
Winona	2	0	0	0	0	1	0	0	0	0	0
Wright	7	0	0	0	1	0	0	1	0	0	0
Yellow Medicine	2	0	0	1	0	0	0	0	0	0	0
Faribault/Martin/Watonwan	12	0	1	2	0	0	0	0	0	0	3
Lincoln/Lyon/Murray	17	2	1	6	0	0	0	0	0	3	2
Total	1,162	65	95	61	92	114	47	34	86	42	93

Source: Program Evaluation Division analysis of AFDC recipients approved during August-November 1986.

TABLE B.2

CHARACTERISTICS OF NEW AFDC RECIPIENTS RECENTLY MOVED INTO MINNESOTA

		Movers						
	ALL NEW OPENINGS	AFDC Regular	AFDC Unemployed Parent	Never Lived in Minnesota	Applied Within 13 Weeks	Came From State With Lower Grant	May Have Come For AFDC Grant	"Welfare Migrants"/ All New Openings
Aitkin	24	1	2	1	3	2	1	4.2%
Anoka	197	27	6	16	33	26	12	6.1
Becker	93	0	0	0	0	0	0	0.0
Beltrami	130	14	1	1	14	11	1	0.8
Benton	38	3	2	0	5	2	0	0.0
Big Stone	8	5	1	2	6	6	2	25.0
Blue Earth	73	10	4	2	14	13	2	2.7
Brown	31	3	0	1	3	2	1	3.2
Carlton	51	7	1	1	7	5	1	2.0
Carver	33	2	0	0	2	1	0	0.0
Cass	77	9	2	2	11	10	2	2.6
Chippewa	20	1	1	1	2	2	1	5.0
Chisago	33	0	0	0	0	0	0	0.0
Clay	146	51	8	19	57	57	17	11.6
Clearwater	22	4	2	1	5	4	1	4.5
Cook	4	0	0	0	0	0	0	0.0
Cottonwood	11	4	0	2	4	4	2	18.2
Crow Wing	81	8	3	3	11	7	3	3.7
Dakota	208	31	4	12	30	28	10	4.8
Dodge	17	10	1	1	10	7	1	5.9
Douglas	41	8	0	5	8	8	5	12.2
Fillmore	23	3	2	1	5	5	1	4.3
Freeborn	49	8	2	2	9	9	1	2.0
Goodhue	49	7	4	4	10	3	2	4.1
Grant	6	0	0	0	0	0	0	0.0
Hennepin	1,449	313	25	195	331	268	164	11.3
Houston	18	4	1	1	4	3	0	0.0
Hubbard	24	4	1	2	5	4	2	8.3
Isanti	45	0	0	0	0	0	0	0.0
Itaska	155	9	9	3	18	14	1	0.6
Jackson	33	0	0	0	0	0	0	0.0
Kanabec	28	5	1	1	4	3	1	3.6
Kandiyohi	72	11	5	8	16	11	7	9.7
Kittson	12	1	1	0	2	1	0	0.0
Koochiching	39	2	0	1	2	1	0	0.0
Lac Qui Parle	7	0	0	0	0	0	0	0.0
Lake	14	2	0	1	1	1	1	7.1
Lake of the Woods	4	0	0	0	0	0	0	0.0
LeSueur	30	2	1	1	3	2	1	3.3
McLeod	43	3	1	1	4	4	1	2.3
Mahnomen	15	1	0	1	1	1	1	6.7
Marshall	12	1	0	0	1	1	0	0.0

TABLE B.2, (continued)

	ALL NEW OPENINGS	Movers						
		AFDC Regular	AFDC Unemployed Parent	Never Lived in Minnesota	Applied Within 13 Weeks	Came From State With Lower Grant	May Have Come For AFDC Grant	"Welfare Migrants"/ All New Openings
Meeker	23	4	1	1	4	5	1	4.3
Mille Lacs	38	9	2	3	11	8	1	2.6
Morrison	40	5	1	1	5	5	0	0.0
Mower	83	7	2	4	9	5	3	3.6
Nicollet	29	0	0	0	0	0	0	0.0
Nobles	22	12	3	6	15	12	5	22.7
Norman	7	0	1	0	1	0	0	0.0
Olmsted	136	9	0	5	9	7	4	2.9
Otter Tail	81	13	3	4	15	11	4	4.9
Pennington	25	4	0	1	4	4	1	4.0
Pine	28	3	2	2	5	4	1	3.6
Pipestone	22	13	2	7	14	14	7	31.8
Polk	113	29	9	23	37	34	20	17.7
Pope	15	2	1	1	2	2	1	6.7
Ramsey	805	159	21	89	177	134	66	8.2
Red Lake	4	0	0	0	0	0	0	0.0
Redwood	18	1	0	1	1	1	1	5.6
Renville	24	0	1	1	1	1	1	4.2
Rice	62	10	1	5	10	9	4	6.5
Rock	7	4	0	2	3	4	1	14.3
Roseau	17	2	0	0	2	2	0	0.0
St. Louis	417	58	12	19	65	55	14	3.4
Scott	36	4	0	0	4	3	0	0.0
Sherburne	35	7	0	0	7	4	0	0.0
Sibley	11	1	0	0	1	1	0	0.0
Stearns	100	7	0	4	7	3	2	2.0
Steele	24	0	0	0	0	0	0	0.0
Stevens	8	0	0	0	0	0	0	0.0
Swift	13	1	0	0	1	1	0	0.0
Todd	34	1	0	1	1	0	0	0.0
Traverse	5	2	0	0	2	2	0	0.0
Wabasha	22	5	1	4	5	5	2	9.1
Wadena	43	7	2	3	9	8	2	4.7
Waseca	25	2	0	1	2	0	0	0.0
Washington	144	6	1	0	7	5	0	0.0
Wilkin	11	2	2	2	4	4	2	18.2
Winona	43	2	0	1	2	1	1	2.3
Wright	64	6	1	4	6	6	3	4.7
Yellow Medicine	16	2	0	1	2	2	1	6.3
Faribault/Martin/Watonwan	73	11	1	1	11	10	1	1.4
Lincoln/Lyon/Murray	48	15	2	4	17	16	4	8.3
TOTAL	6,236	999	163	493	1,119	914	398	6.4%

Source: Program Evaluation Division analysis of AFDC recipients approved during August-November 1986.

APPENDIX C

FACTORS AFFECTING AFDC DEPENDENCE: RESULTS OF RECENT STUDIES

Mary Jo Bane and David T. Ellwood. *The Dynamics of Dependence: The Routes to Self-Sufficiency*, June 1983.

Unmarried mothers, non-whites, and high school drop-outs have dramatically longer spells of welfare than other recipients. The recipients most likely to exit welfare through marriage are young women and those who were previously married.

Women who enter welfare following an out-of-wedlock birth stay on welfare longer than other women. A woman's age at the beginning of welfare receipt has little effect on length of stay. Women with fewer children have shorter stays on welfare. Women with young children are slightly less likely than other women to become wives and slightly more likely to leave AFDC through increased earnings. Non-whites stay on AFDC longer, having significantly fewer welfare exits by marriage. Recipients with higher educations leave welfare faster (both through marriage and higher earnings). Recipients with work experience leave the AFDC program faster.

June A. O'Neill, Douglas A. Wolf, Laurie J. Bassi, and Michael T. Hannan. *An Analysis of Time on Welfare*, June 1984.

Recipients with prior earnings and work histories leave welfare faster than other recipients. Women with fewer children have shorter welfare stays. Women who have children while on welfare have longer welfare stays. Better-educated recipients leave welfare faster, especially through marriage. Women who were teenage mothers tend to have shorter than average welfare stays. There is a tendency for long-term welfare receipt among never-married recipients, women who lived as teens in mother-only families, and women who lived with parents at the start of a welfare spell. Non-whites have longer stays than whites, mainly due to their lower rates of marriage.

David T. Ellwood. *Targeting "Would-Be" Long-Term Recipients of AFDC*, January 1986.

When holding other variables constant, the following characteristics contribute to longer welfare stays: low education, little work experience, disabilities, more children, and never-married. Race has a small effect on duration. The age of the youngest child and the mother's age have little effect on duration.

When not holding other variables constant, never-married status is most predictive of long welfare stays. The following characteristics also predict long stays: non-white, no recent work experience, little education, young mothers, recipients who begin AFDC with young children. The number of children has little effect on duration.

APPENDIX D

A SUMMARY OF EMPLOYMENT PROGRAMS FOR AFDC RECIPIENTS

This appendix provides summaries of overall program impacts for employment programs since 1962 aimed specifically at AFDC recipients. Unless indicated, the studies cited have experimental designs that permit comparisons between program participants and a control group that did not receive the program services.

A. JOB SEARCH PROGRAMS

(Including individualized job search, group job search, and job placement services)

Michigan Private Employment Agency (PEA) job placement

In the mid-1970s, two Michigan counties referred WIN registrants from the "unassigned pool" to private employment agencies for job placement services. At most, one-fourth of the eligible participants actually received placement help. In large part, this occurred because the employment agencies determined that many of the referred individuals lacked skills or motivation. At best, the program resulted in a three percentage point increase in placements, and most of the placements were in low-wage jobs. The cost per placement was $1,200-2,300. The program was cost-effective neither from a short-term fiscal perspective nor from a long-term societal perspective.

Job club studies by Azrin and Philip

These researchers tested programs in five cities during the late 1970s that taught welfare recipients to search and interview for jobs, rather than having counsellors refer recipients to jobs. Participants usually attended group training workshops before engaging in supervised job search. The studies found that participant employment rates were 29 percentage points higher than in comparable control groups. Changes in earnings and welfare status are not reported.

Louisville Intensive Employment Service WIN Lab

This experiment targeted female AFDC applicants and recipients in the late 1970s. The program provided information on job search techniques to participants with no recent work experience; it provided all participants up to six weeks of direction from counselors during job search. The program resulted in an employment increase of about five percentage points over regular WIN participants. The experimental participants'earnings averaged $18 higher per month (13 percent higher than the control group). The experimental group's welfare payments averaged up to $11 lower per month. The increases in employment and earnings did not decay over time, but the welfare savings appeared to decline in the third year of observation. The effects were similar for both AFDC applicants and existing AFDC recipients. The program had greater effects on volunteers than on those required to participate. Fiscally, the program was cost-effective, with welfare savings paying back program costs in less than two years.

Louisville Group Job Search WIN Lab

Following one week of training, 1980-1981 AFDC applicants and recipients engaged in up to five weeks of job search from supervised phone banks. The program's initial impact on participants' employment rates and earnings was about three times greater than the impact reported in the Louisville study of individualized job search. Welfare savings were insignificant, so the program did not pay for itself in the short term. The program was more effective with AFDC recipients than with AFDC applicants, and it was more effective with volunteers than with those required to participate. Women with no recent work experience fared particularly well in this program.

Employment Opportunity Pilot Project

From 1979 to 1981, this project tested intensive job search programs for AFDC women and other unmarried, low income women at 10 sites in various states. The job search participants' earnings and employment rates declined slightly or remained unchanged. Oddly, members of the experimental group were more likely than members of the control group to receive welfare.

B. WORK INCENTIVE PROGRAM (WIN) AND RELATED PROGRAMS

The programs reviewed in this section combine job search, job placement, and employment/training components. The federal government permitted state experimentation with variations of the WIN program starting in 1981, and some of these programs are reviewed here.

Work Incentive Program, 1967-present

Program description. Initially, WIN was voluntary for AFDC women and mandatory for unemployed AFDC fathers. In 1971, WIN registration became mandatory for all employable AFDC adults in counties where WIN was administered. The largest group of recipients considered "non-employable" were women with children under age six. The WIN program began with a focus on counselling, basic education, and training. In 1971, Congress shifted the program focus toward on-the-job training and public service employment (Congress eliminated the public service employment component in 1981). The availability of WIN support services declined in the mid-1970s, and WIN increasingly served the most employable AFDC recipients. WIN's recent emphasis has been short-term help aimed at immediate job placement, particularly through job search assistance. Federal funding cuts affected WIN in recent years. Today, 27 Minnesota counties provide WIN services (down from 53 in 1981), and these counties have curtailed the range of WIN services offered.

Program effects. The WIN studies reported here represent evaluations of WIN in the mid- to late-1970s. There have been no experimental studies of WIN using control groups, but reviews of WIN performance data permit us to draw some tentative conclusions about the program's effectiveness:

- WIN appeared to produce small earnings increases among female participants (perhaps $150-300 per year), but many of the participants remained in poverty and the earnings gains decayed over time. Analysis of WIN's subsidized employment programs showed lasting effects on earnings and employment.

- WIN increased the number of weeks worked per year by two to three weeks, although this effect also decayed over time.

- WIN's overall effect on welfare costs was quite small, perhaps causing participants to receive welfare one less week per year.

- The subsidized employment WIN components were more likely than other components to generate long-term participant benefits that offset program costs. It is less clear whether the program generated welfare savings that justified program costs.

- The number of WIN participants active in program activities is much less than the number required to register for WIN.

- The success of individual WIN offices varies widely, and these variations are often related to local labor market conditions, differing WIN administrative practices, and varying expectations of recipients.

Minnesota Work Equity Project

Minnesota experimented with an employment program between 1978 and 1980. Over 5,500 people registered with the Work Equity Project (WEP), 81 percent of whom were AFDC recipients. WEP replaced WIN in St. Paul and seven rural counties for three years. Clients deemed job-ready engaged in job search and received incentive payments of $30 per week. Clients who were not job-ready received more intensive services designed to improve employability. WEP increased recipients' employment rates by 9.4 percentage points when compared with WIN. No significant decreases in welfare receipt resulted from WEP. The program had higher costs than WIN, and the project appears to have been less cost-effective than WIN both in the short- and long-run.

San Diego Employment Preparation Program

San Diego required 1982-1983 applicants for both the regular AFDC program and the AFDC unemployed parent program to participate in job search; for certain applicants, a 13-week unpaid work experience project followed the job search. Overall, the study found that job search resulted in small increases in earnings and employment, and small decreases in welfare payments. Larger effects occurred when participants combined job search and work experience (3 to 8 percentage point increases in quarterly employment rates; 23 percent earnings increases for 18 months). Over 18 months, the program cut welfare costs eight percent, but this effect decayed over time. The reduction in welfare benefits for people combining job search with work experience was slightly more than the reduction for those who only engaged in job search. The decline in welfare outlays was higher for San Diego's unemployed parent caseload than for the regular caseload, and job search accounted for most of the welfare reductions among the AFDC-UP population. However, the work programs did not significantly affect the AFDC-UP applicants' earnings or employment rates.

Arkansas WIN demonstration

Two counties required 1983-1984 AFDC recipients (including women with children ages three through five) to attend a job search workshop, engage in intensive job search, and participate in a work experience program. Unlike the San Diego experiment, this and other WIN demonstrations have not studied the effects of job search separate from the effects of work experience. The Arkansas program produced employment increases of three to five percentage points each quarter; the increase in earnings was less substantial. Over nine months, the portion of the experimental group receiving welfare was 4 percent lower than that of the control group, and the experimental group's welfare payments were 11 percent lower.

Baltimore WIN demonstration

Baltimore's program in 1982 and 1983 combined job search, education, training, and work experience; participants chose the options they preferred. The target groups were AFDC recipients and applicants (both the regular and unemployed parent caseloads). During the program's first year, the experimental group's employment rate was about five percentage points higher than the control group's rate. The experimental group's earnings were also higher, but reductions in welfare caseloads and payments were negligible.

Virginia WIN demonstration

Virginia's "Employment Services Program" replaced the WIN program and served those people who previously would have been required to register for WIN. The program served (1) long-term AFDC recipients who were newly-determined to be WIN-mandatory, and (2) new AFDC applicants. Most participants received job search assistance, and some followed this with work experience in a public or non-profit agency. Among program applicants, the program produced gradually increasing employment gains, and the welfare savings and welfare caseload reductions were statistically significant after 18 months of follow-up. The results were less positive among the current AFDC recipients. Their earnings and employment gains were not significant, and the small welfare savings did not increase over time. The AFDC *applicants* who had less prior employment, less education, or more prior welfare dependency gained more than the more employable groups. However, among *current recipients*, the hard-to-employ did not experience larger gains, except for recipients without high school diplomas.

C. EMPLOYMENT AND TRAINING PROGRAMS

(Includes work experience, on-the-job training, and vocational training)

Community Work and Training (CWT) Program, 1962-1964; Work Experience and Training (WET) Program, 1964-1967

Both of these federal programs tried to increase the employability of AFDC recipients through job placements in public and non-profit agencies. Ten states established CWT programs and all 50 states established WET projects. In states without AFDC-UP programs, WET was the only way that two-parent families with unemployed fathers could qualify for assistance (half of WET participants were men). These programs experienced low participation rates, placed most participants in low-skilled jobs, and provided little vocational training. The programs had no apparent impact on welfare caseloads. There were no control group studies of either program.

State work experience programs

Several states experimented with AFDC work requirements in the 1970s. The only work experience program for which we can make comparisons of program results to the outcomes of a control group is the Massachusetts program.

- *California* required AFDC recipients to work off their grants from 1973 to 1975, the first state to do so. Many counties refused to administer the program, and welfare caseworkers resisted the requirement. The state made no funds available for supervision and equipment costs. Less than one percent of California's adult caseload participated in the workfare program, and there was no evidence of reduced caseloads.

- *Massachusetts* aimed its program at unemployed men on AFDC in 1978 and 1979, but participation was far below expectations. The work experience resulted in neither increased work nor reduced welfare costs.

- *Utah* has operated a work experience program since 1974 for WIN registrants not assigned to employment or training activities. Recipients do 96 hours of public service work each month. Although originally designed to make employable AFDC recipients work off their grants, the program now focuses more on improving participant employabilty. There is no conclusive evidence of the program's effects on employability, although the program apparently enhanced the links between Utah's welfare and employment programs.

Community Employment and Training Act (CETA)

This program (now called the Job Training Partnership Act) served welfare recipients and other low income people. It provided training, work experience, job search assistance, and job counselling. While the program appears to have increased earnings $500-900 per year, there was little evidence of earnings gains among teenage female welfare recipients. The program's impact on welfare caseloads and payments was small.

Supported Work

Studied at 15 sites in various states between 1975 and 1977, the program's target groups included women on welfare more than three years with little work experience. Most of the women in the program were non-white and lacked high school degrees. The program produced earnings increases of more than $50 per month that lasted for several years. The experimental group's welfare payments were 10 to 40 percent lower during the program's first two years. The program apparently produced benefits for taxpayers that exceeded program outlays, and the increase in participants' earnings exceeded program costs.

Employment Opportunity Pilot Project

Over an eighteen month period between 1979 and 1981, the subsidized employment program produced sizable gains in earnings and employment. The earnings and employment rates of participants initially were double those of the control groups, but these effects decayed sharply as participants left their program-funded jobs. Welfare payments to the experimental group were consistently one-third less than those paid to control group members (the control group's monthly welfare payments averaged about $160).

Community Work Experience Program (CWEP), 1981-present

Program description. Since passage of the federal Omnibus Budget Reconciliation Act of 1981, the federal government has allowed states to establish CWEP in conjunction with their AFDC programs. Typically, this program requires eligible recipients to participate in certain activities as a condition of receiving the AFDC grant. Participants often begin CWEP by participating in job search, which often is followed by "working off" all or part of one's AFDC grant in a public or non-profit agency job.

Program results. Aside from the workfare evaluations conducted by the Manpower Research Development Corporation (five of which are discussed in this appendix, and which often include components besides work experience), there have been no control group studies of CWEP. However, the General Accounting Office (GAO) reported in 1984 on some of the practical problems states faced when implementing CWEP. For example, some states experienced problems developing workfare job slots, while other states had insufficient funding for program administration and support services. Most states exempted large portions of the AFDC population from participation, and states often required recipients to work off only a portion of their grant.

West Virginia CWEP

Perhaps the most comprehensive evaluation of CWEP results are those from West Virginia, which tested its program between 1983 and 1986. All mandatory WIN registrants (one-third of the caseload) were eligible for CWEP, and West Virginia's participation rate (24 percent of the eligible participants) was higher than in previous studies of work experience programs. These women were permitted to have flexible schedules, and they averaged 53 hours of work per month. Most expressed satisfaction with their jobs. CWEP had no short-term effects on earnings or employment, and it had little or no effect on the proportion of participants on welfare. The program cost government more than it saved, but the value of services produced by the CWEP workers allowed the public's gains to exceed its expenses.

West Virginia's AFDC Unemployed Parents also participated in CWEP, but their participation was not subject to a control group analysis. However, rates of program participation among eligible AFDC-UP recipients were extremely high, nearing 70 percent. Participants were satisfied with their jobs and were very productive. The program appears to have caused no substantive earnings gains, although welfare costs may have declined slightly.

Principal sources:[1]

Jean Baldwin Grossman and Audrey Mirsky, *A Survey of Recent Programs to Reduce Long-Term Welfare Dependency*, April 1985. (MPR)

Rebecca Maynard et al., *A Design of a Social Demonstration of Targeted Employment Services for AFDC Recipients*, June 1986. (MPR)

Jean Baldwin Grossman, Rebecca Maynard, and Judith Roberts, *Reanalysis of the Effects of Selected Employment and Training Programs for Welfare Recipients*, October 1985. (MPR)

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[1]While many reports and articles discuss the findings of employment program studies, these sources provided the basis for most of our summaries. "MPR" refers to studies by Mathematica Policy Research; "MDRC" refers to studies by the Manpower Demonstration Research Corporation.

Berkeley Planning Associates, *Assessment of Work-Welfare Projects (Phase 1: Final Report)*, 1980.

General Accounting Office, *CWEP's Implementation Results to Date Raise Questions About the Administration's Proposed Mandatory Workfare Program*, April 2, 1984.

Judith M. Gueron, *Work Initiatives for Welfare Recipients*, March 1986. (MDRC)

Barbara Goldman, Daniel Friedlander, and David Long, *California: Final Report on the San Diego Job Search and Work Experience Demonstration*, February 1986. (MDRC)

Daniel Friedlander et al., *Maryland: Final Report on the Employment Initiatives Evaluation*, 1985. (MDRC)

James Riccio et al., *Virginia: Final Report on the Virginia Employment Services Program*, August 1986. (MDRC)

Daniel Friedlander et al., *West Virginia*: Final Report on the Community Work Experience Demonstrations, September 1986. (MDRC)

APPENDIX E

CHARACTERISTICS OF SOME CURRENT STATE WELFARE-TO-WORK PROGRAMS

ILLINOIS: PROJECT CHANCE

Eligibility. Mandatory participation for certain AFDC recipients and all General Assistance recipients. In April 1987, Food Stamps participants will begin enrollment. Exempt individuals include caretakers of children under age six, recipients under age 18 who are full-time students, and individuals determined by doctors to be physically or psychologically incapable of work.

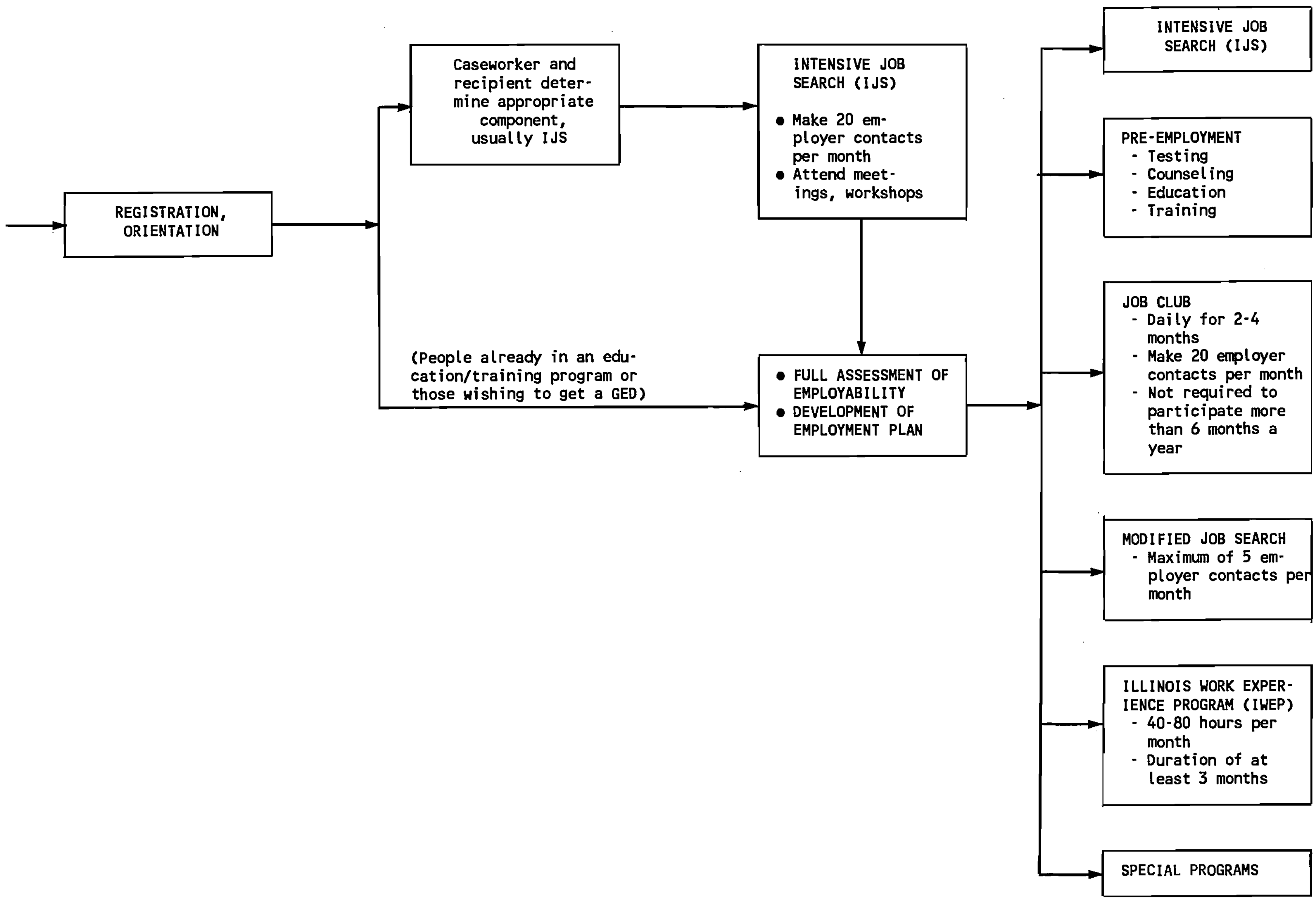
Program components. Figure E.1 contains a chart of Project Chance's components. Most participants first engage in *intensive job search (IJS)*; most employable participants remain in IJS. The other component for employable participants is *job club*; priority for job club slots goes to those most recently employed. Participants may enroll in *pre-employment* activities if they are currently non-employable or if they are employed but need additional skills. People with B.A. degrees do not qualify for pre-employment activities. Sometimes pre-employment participants are also in another component. *Modified job search* serves (a) people with limited aptitudes, and (b) people working part-time that might find full-time employment through job search. *IWEP* offers work experience to recipients; those exempt from IWEP include people working 32 hours per month or with grants of $134 per month. The state claims to have created 35,000 IWEP work slots. *Special programs* usually offer short-term training to marginally employable participants. About 9,000 recipients now participate in work experience; about twice that number participate in modified job search.

Support services available. IJS participants have a $20 per month transportation allowance. Job club participants receive $20 per month, transportation costs of 19 cents a mile, plus child care. Pre-employment participants have their mandatory fees paid (some financial aid for tuition costs is available); they also receive up to $300 per year for books and supplies, 19 cents a mile for transportion, child care, and payment for physical exams. IWEP participants receive payment for child care, transportation to and from the work site, and a monthly $5 transportation allowance for job search. Project Chance may also defer the cost of "initial employment expenses" (clothing, tools, license plate fees, auto repairs or downpayments, auto insurance, physical exams, etc.).

Other features. (1) For most participants, there is no employability assessment or employability plan development until after IJS (typically, this is two months). (2) The state awards performance contracts for education and training, and service providers make bids on the number of participants they can enroll, train, and place. Currently, procedures for awarding contracts favor providers that can *enroll* large numbers; the state will likely put more weight on bidders' *placement* assurances in

FIGURE E.1

ILLINOIS: PROJECT CHANCE



the near future. (3) Illinois does not establish contracts with clients. Although the caseworkers have authority to place people in various components, Illinois's goal is for such choices to involve the "mutual consent" of the client and welfare agency. (4) Illinois is developing a formal employability assessment instrument for use in 1987.

Costs. Project Chance caseworkers (not financial workers) review clients' employability and help them into appropriate program components. The state added 65 of these workers in 1987, for a total of 724 Project Chance staff. 1987 appropriations include $7.4 million for transportation costs, $7 million for educational fees, and $4.5 million for training and job development contracts.

Sanctions. Mandatory participants face immediate sanctions if they do not respond to a job referral of suitable employment, if they do not accept an offer of suitable employment, or if they reduce current hours of employment. "Suitable employment" pays at least minimum wage, poses no unreasonable health risks, is reasonably close to the client's home, and involves tasks the client is capable of performing. Sanctions may also result from two instances of lesser program violations. A first sanction is three months discontinuance of financial assistance; later sanctions are six-month discontinuances.

Results. Although the Manpower Demonstration Research Corporation currently is evaluating a WIN Demonstration project in Cook County (involving job search and work experience components), there are no plans for a control group evaluation of Illinois' overall work program. The state will contract for a longitudinal study of Project Chance participants.

UTAH

Grant recalculation. Chapter 7 contains an analysis of Utah's attempt to place a work incentive within its AFDC system. Since 1983, Utah has permitted each AFDC recipient to retain one-third to one-half of their earned income. Potentially, working AFDC recipients are financially better off than they were prior to the 1983 changes. The state heavily publicized this change to AFDC recipients, hoping that recipients would see that "work pays."

Self-sufficiency program. Essentially, Utah encourages short stays on AFDC by offering case management services to AFDC recipients on a voluntary basis. Features of the program include: (1) Assessment of recipients' current situation and needs, which serve as the basis for a "self-sufficiency plan" (the plan includes specific time frames for client and agency action); (2) Self-sufficiency workshops for recipients, which inform recipients of available services and jobs programs, and which teach job search skills and resume writing; (3) Caseworker follow-up, during which the caseworker evaluates the client's progress or acts as a client advocate with other agencies. Utah reports that 65 percent of its AFDC recipients now have self-sufficiency plans.

Utah also requires each of its district offices to: (1) develop a plan for promoting recipient self-sufficiency; (2) produce a resource guide for recipients, detailing available jobs programs and community services; (3) establish a council to oversee district self-sufficiency activities.

In conjunction with the self-sufficiency program, Utah increased day care expenditures substantially in the past three years. Expenditures rose from $5.5 million in 1983 to $9.2 million in 1986. Utah makes funding for job search-related child care available for longer periods to recipients who participate in the self-sufficiency program. In addition, Utah withholds child care subsidies from parents who are potentially eligible for child support but have not contacted the local child support office.

MASSACHUSETTS: EMPLOYMENT AND TRAINING (ET) CHOICES

Eligibility. All AFDC recipients (regular and AFDC-UP caseloads) can participate in ET on a voluntary basis. Program registration is mandatory for recipients meeting WIN requirements.

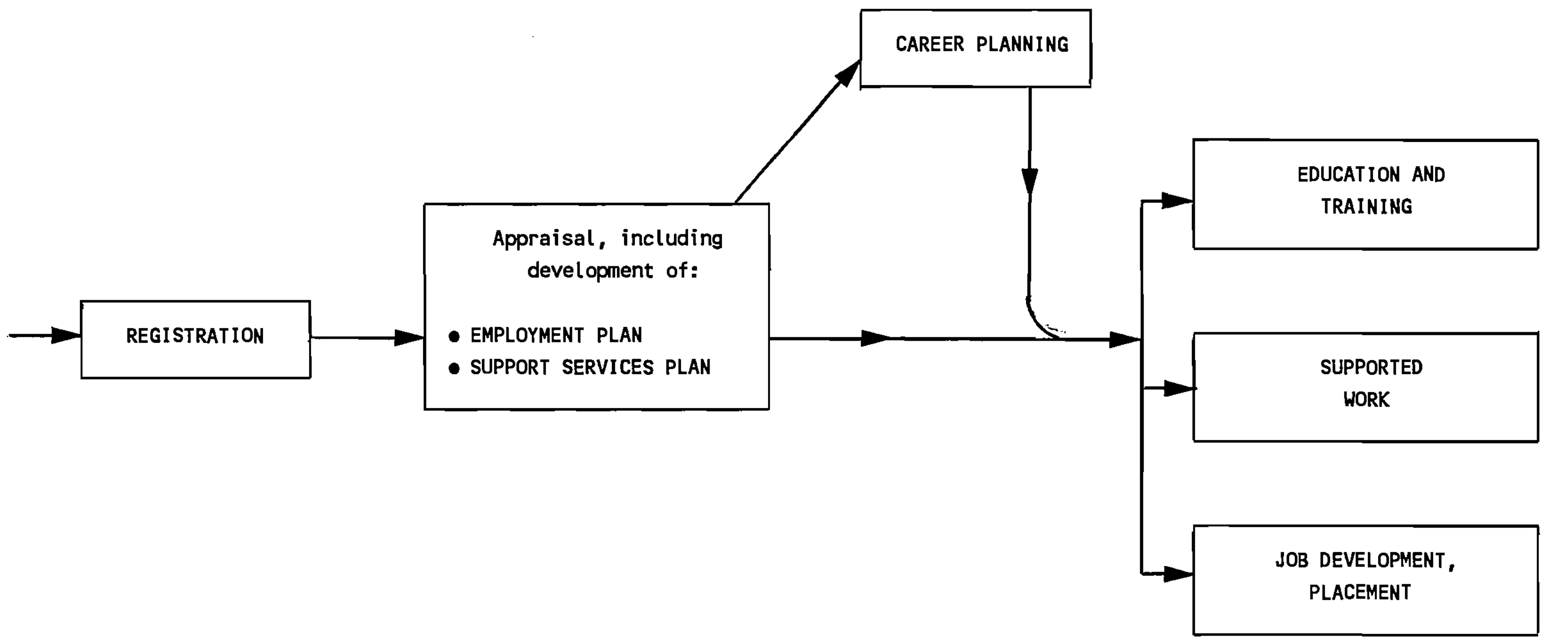
Program components. After developing an employment plan and a support services plan with a caseworker's help, participants choose among the components shown in Figure E.2. For about one-fifth of ET participants, the first step is *career planning,* which offers participant assessments and career guidance prior to participation in other components. ET participants with poor work histories often enter *supported work*, an on-the-job training program that stresses graduated responsibilities, peer support, and close supervision. This is ET's most expensive component, and target groups include those who have been on welfare two years and those in public housing. The *education and training* component offers participants a variety of options, ranging from basic adult education to enrollment in up to two college courses. The ET program enters performance-based contracts with service providers for these services. Finally, the ET program contracts with the state jobs agency to provide *job search and job placement* services. The percent of ET participants in each component is: job placement and development, 39; skills training and vocational education, 28; community college, 16; adult basic education, 11; supported work, 6.

Support services. Participants in ET components qualify for subsidized child care services. While on AFDC, the average ET participant pays about $16 per month for this care. ET clients placed in jobs can receive up to one additional year of these child care vouchers, and the average cost for these people is about $50 per month. The state's average annual cost for ET child care is $2,800. The state reimburses transportation costs up to $5 per day.

Other features. (1) Financial workers refer clients to ET caseworkers, who conduct participant assessments and develop employment plans

FIGURE E.2

MASSACHUSETTS: EMPLOYMENT AND TRAINING (ET) CHOICES



prior to entry into ET components; (2) There is no Community Work Experience Program (CWEP) in Massachusetts; (3) Massachusetts does extensive marketing to publicize the availability of ET options; (4) There are no sanctions for non-participation in the program.

Costs. The ET program costs about $50 million per year, and the average ET placement costs about $3,000. The ET program pays its Department of Economic Security $1,600 for each recipient placed in a job paying at least $5 an hour, and ET pays $4,500 for each Supported Work client placed in an unsubsidized job.

Results. There is no control group study of ET in progress because the state feels all AFDC recipients should have access to the program's services. However, the state reports the following results as of October 1986, three years after the program started: 30,000 welfare recipients have obtained jobs through ET, one-third of them part-time; the average job pays $12,000 per year; 80 percent of the jobs are private, and more than two-thirds of the jobs come with health insurance; 86 percent of those who leave welfare through ET are still off one year later; women with children under age six represent 44 percent of ET participants. Massachusetts' AFDC caseload has dropped six percent since the start of the program, although there is some recent evidence of increases in Massachusetts' caseload.

CALIFORNIA: GREATER AVENUES TO INDEPENDENCE (GAIN)

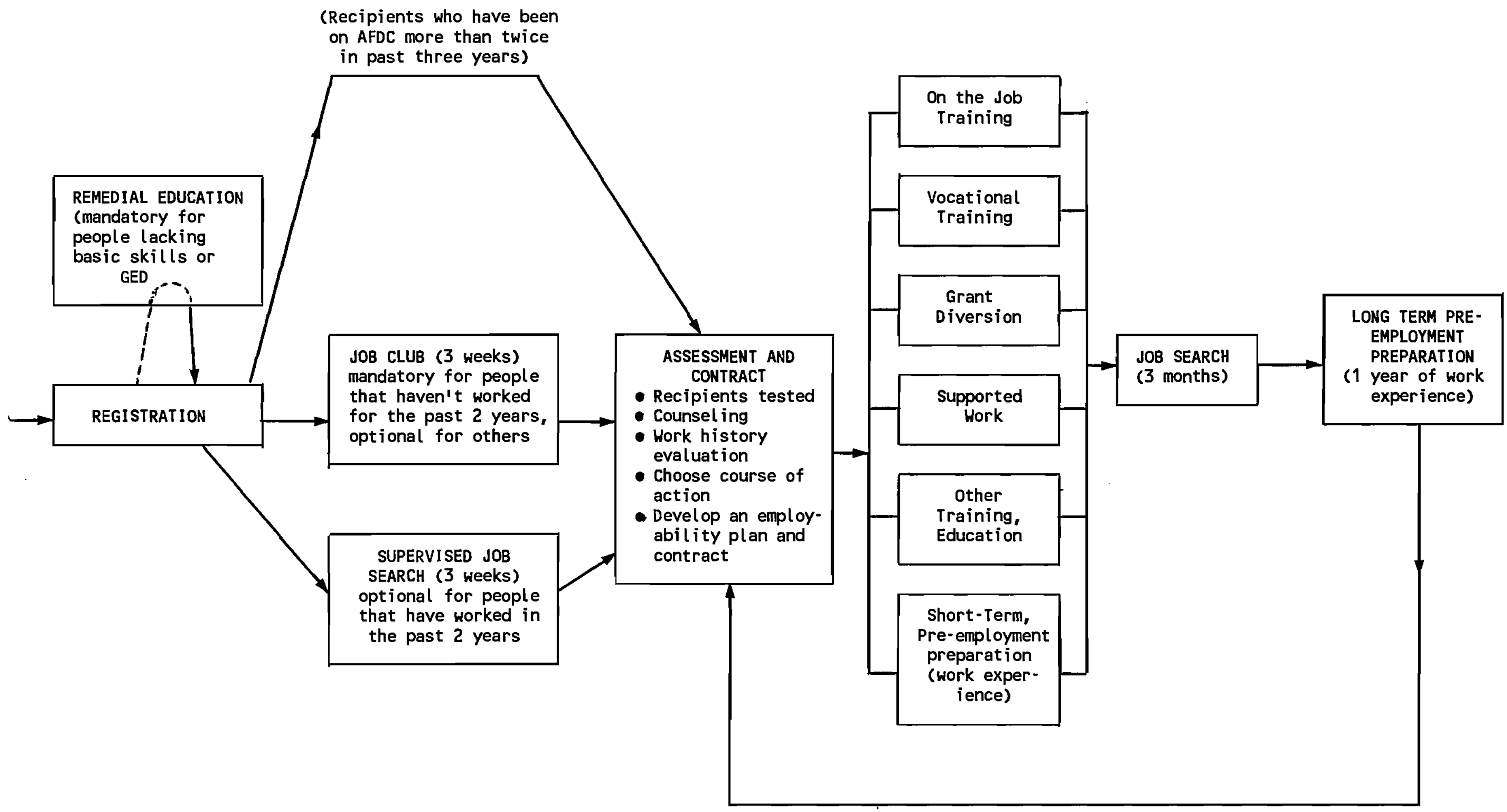
Eligibility. California mandates GAIN participation for most AFDC recipients without children under the age of six. California estimates that 60 percent of recipients will be exempt from participation and that 15 percent of the exempt recipients will participate voluntarily.

Program components. Figure E.3 contains a chart of program components. GAIN registrants without high school degrees attend *GED classes* before participating in other components. Most GAIN participants engage in a *job search* prior to employability assessment and development of an employment plan. However, caseworkers immediately develop employment plans for clients who have been on assistance at least three times in the past three years. Once participants have an employment plan, they may choose among various options: *on-the-job training, vocational training, grant diversion, supported work, short-term (three-month) pre-employment work* (in a public or non-profit agency), or *other education programs*. If participants remain employed after completing these options, they enter a three-month job search. If still unemployed, participants enter a *long-term (one-year) pre-employment work experience program* (no more than 32 hours per week in a public or non-profit job).

California expects 58 percent of participants to be in job search or job clubs, 39 percent in short term training, 13 percent in a 90-day job search, and 15 percent in long-term work experience. The state estimates that the percentage of component participants to find employment will be:

FIGURE E.3

CALIFORNIA: GREATER AVENUES FOR INDEPENDENCE (GAIN)



job search or job club, 28; short-term training, 47; 90-day job search, 47; long-term work experience, 37. California estimates that one-fifth of its GAIN participants will require long-term work experience (which could require 34,000 jobs). Participants who complete this whole process without finding employment are re-assessed and begin the process again.

Support services. GAIN provides child care to recipients with children under age 12 who need such care to participate in a program component. Participants receive full cost reimbursement if their incomes are less than 50 percent of the state median income; above this level, there is a sliding fee up to $12 per day per child. Payment for both out-of-home and in-home child care is available up to the regional market rate. About $104 million of GAIN's budget goes toward child care. In addition, GAIN pays for all transportation costs to and from jobs or training sites. GAIN reimburses work or training expenses such as books, fees, clothing, and tools.

Other features. (1) Participant enters a contract with the county, outlining the county's expectations of the client and the services the client will receive; (2) Participants do not have to take a private job if it will result in a net loss of income *and* if the job is inconsistent with the recipient's employment plan; (3) The state enters performance contracts with training institutions; (4) Counties have three years to implement a GAIN system.

Sanctions. If participants do not comply with the GAIN program requirements, the county will manage their money or find a substitute grant payee (first offense). Later offenses may result in reduced grants for three to six months.

Costs. New costs for GAIN may total $300 million this year. Estimated costs per case for various components (including child care costs) are: job search, $500; grant diversion, $800; work experience, $1,700; supported work, $6,000-8,000; assessment, $200. GAIN's three-year marketing budget is $1.6 million.

Results. The GAIN program will not be operational in all California counties until 1988, so it is too early to judge the program's results.

STUDIES OF THE PROGRAM EVALUATION DIVISION

Evaluation reports can be obtained free of charge from the Program Evaluation Division, 122 Veterans Service Building, Saint Paul, Minnesota 55155, 612/296-4708.

77-01 *Regulation and Control of Human Service Facilities, February 1977*
77-02 *Minnesota Housing Finance Agency*, April 1977
77-03 *Federal Aids Coordination*, September 1977
78-01 *Unemployment Compensation*, February 1978
78-02 *State Board of Investment: Investment Performance*, February 1978
78-03 *Department of Revenue: Assessment/Sales Ratio Studies*, May 1978
78-04 *Department of Personnel*, August 1978
79-01 *State-sponsored Chemical Dependency Programs*, February 1979
79-02 *Minnesota's Agricultural Commodities Promotion Councils*, March 1979
79-03 *Liquor Control*, April 1979
79-04 *Department of Public Service*, April 1979
79-05 *Department of Economic Security, Preliminary Report*, May 1979
79-06 *Nursing Home Rates*, May 1979
79-07 *Department of Personnel: Follow-up Study*, June 1979
80-01 *Board of Electricity*, January 1980
80-02 *Twin Cities Metropolitan Transit Commission*, February 1980
80-03 *Information Services Bureau*, February 1980
80-04 *Department of Economic Security*, February 1980
80-05 *Statewide Bicycle Registration Program*, November 1980
80-06 *State Arts Board: Individual Artists Grants Program*, November 1980
81-01 *Department of Human Rights*, January 1981
81-02 *Hospital Regulation*, February 1981
81-03 *Department of Public Welfare's Regulation of Residential Facilities for the Mentally Ill*, February 1981
81-04 *State Designer Selection Board*, February 1981
81-05 *Corporate Income Tax Processing*, March 1981
81-06 *Computer Support for Tax Processing*, April 1981
81-07 *State-sponsored Chemical Dependency Programs: Follow-up Study*, April 1981
81-08 *Construction Cost Overrun at the Minnesota Correctional Facility - Oak Park Heights*, April 1981
81-09 *Individual Income Tax Processing and Auditing*, July 1981
81-10 *State Office Space Management and Leasing*, November 1981
82-01 *Procurement Set-Asides*, February 1982
82-02 *State Timber Sales*, February 1982
82-03 *Department of Education Information System*,* March 1982
82-04 *State Purchasing*, April 1982
82-05 *Fire Safety in Residential Facilities for Disabled Persons*, June 1982
82-06 *State Mineral Leasing*, June 1982

83-01 *Direct Property Tax Relief Programs*, February 1983
83-02 *Post-Secondary Vocational Education at Minnesota's Area Vocational-Technical Institutes*,* February 1983
83-03 *Community Residential Programs for Mentally Retarded Persons*,* February 1983
83-04 *State Land Acquisition and Disposal*, March 1983
83-05 *The State Land Exchange Program*, July 1983
83-06 *Department of Human Rights: Follow-up Study*, August 1983
84-01 *Minnesota Braille and Sight-Saving School and Minnesota School for the Deaf*,* January 1984
84-02 *The Administration of Minnesota's Medical Assistance Program*, March 1984
84-03 *Special Education*,* February 1984
84-04 *Sheltered Employment Programs*,* February 1984
84-05 *State Human Service Block Grants*, June 1984
85-01 *Energy Assistance and Weatherization*, January 1985
85-02 *Highway Maintenance*, January 1985
85-03 *Metropolitan Council*, January 1985
85-04 *Economic Development*, March 1985
85-05 *Post Secondary Vocational Education: Follow-Up Study*, March 1985
85-06 *County State Aid Highway System*, April 1985
85-07 *Procurement Set-Asides: Follow-Up Study*, April 1985
86-01 *Insurance Regulation*, January 1986
86-02 *Tax Increment Financing*, January 1986
86-03 *Fish Management*, February 1986
86-04 *Deinstitutionalization of Mentally Ill People*, February 1986
86-05 *Deinstitutionalization of Mentally Retarded People*, February 1986
86-06 *Public Employee Pensions*, May 1986
87-01 *Aid to Families with Dependent Children*, January 1987
Minnesota Employment and Training Programs (in progress)
Water Quality Monitoring (in progress)
County Human Services (in progress)

*These reports are also available through the U.S. Department of Education ERIC Clearinghouse.