
Wisconsin Family Impact Seminars
and the
Institute for Research on Poverty
Briefing Report

**Moving Families Out of Poverty:
Employment, Tax, and Investment Strategies**



University of Wisconsin-Extension
Center for Excellence in Family Studies
School of Human Ecology
University of Wisconsin-Madison

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First Edition

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and
The Institute for Research on Poverty
Briefing Report**

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Purpose, Presenters, and Publications

Family Impact Seminars have been well received in Washington, D.C., by federal policymakers, and Wisconsin is one of the first states to sponsor the seminars for state policymakers. Family Impact Seminars provide state-of-the-art research on current family issues for state legislators and their aides, Governor's Office staff, state agency representatives, educators, and service providers. Based on a growing realization that one of the best ways to help individuals is by strengthening their families, Family Impact Seminars analyze the consequences an issue, policy, or program may have for families.

The seminars provide objective nonpartisan information on current issues and do not lobby for particular policies. Seminar participants discuss policy options and identify common ground where it exists.

"Moving Families out of Poverty: Employment, Tax, and Investment Strategies" is the 9th seminar in a series designed to bring a family focus to policymaking. This seminar featured the following speakers:

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Each seminar is accompanied by an in-depth briefing report that summarizes the latest research on a topic and identifies policy options from across the political spectrum. Copies are available at the Extension Distribution Office, 630 West Mifflin Street, Room 170, Madison, WI 53703-2636, (608) 262-3346.

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Or, visit the Policy Institute for Family Impact Seminars website at:
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Table of Contents

Executive Summary	v
A Checklist for Assessing the Impact of Policies on Families	viii
Alternative Strategies for Increasing Employment <i>by Demetra Smith Nightingale and Pamela A. Holcomb</i>	1
Welfare reform objectives and priorities	2
Strategies for increasing employment and earnings	3
Improving program performance and outcomes	6
Conclusion	9
Bibliography	13
Making the Shoe Fit: Creating a Work Preparation System for a Large and Diverse Welfare Population <i>by Toby Herr, Suzanne L. Wagner, and Robert Halpern</i>	15
Welfare-to-work from a human development perspective	15
A different approach to work preparation: Project Match's experience as a high-flexibility program.	16
Adding lower rungs to the Ladder: How to help the "hard-to-serve"	19
Getting from here to there: The Pathways System	30
References	30
Improving the Economic and Social Well-Being of Families With Home Visitation Early in the Life Cycle <i>by David L. Olds</i>	32
State Tax Relief for the Poor <i>by David S. Liebschutz and Steven D. Gold</i>	40
Framework for evaluating relief	41
Income tax relief	41
Earned income tax credit	42
Property tax	42
Sales tax	43
Comprehensive tax relief	43
Children and tax relief	43
Administration of tax relief	43
Changes since 1987	44
Highlights of the changes since 1987	45
Summary of changes since 1987	46
Conclusions	46
Selected Resources on Strategies to Move Families Out of Poverty...	54

Executive Summary

This briefing report presents research on promising strategies for moving families out of poverty using employment, tax, and investment strategies.

Demetra Smith Nightingale of the Urban Institute draws upon what we have learned from work and training programs for welfare recipients and other disadvantaged individuals, which have been operating in every state for nearly 30 years. Evaluations show that programs that encourage, help, or require welfare recipients to find jobs or participate in training or work-related activities have more consistent effects on earnings than on rates of employment. But even in the most successful programs, increases in earnings are not enough to move former welfare recipients out of poverty.

Two external factors affect any attempt to move welfare recipients to work. One is the labor market. The jobs available to people with few skills have deteriorated, offering low wages and few opportunities for advancement. The second factor is the skills and experiences of the workers themselves. For example, more than half of AFDC mothers in 1991 had not completed high school and had very limited skills. These limitations restrict their opportunities to find jobs. The jobs they do find usually do not pay enough to raise them above the poverty level or provide benefits such as health insurance.

State and local welfare-to-work programs have always differed in the relative emphasis they place on training and education, public jobs, and immediate job entry. Evaluation findings support “work first” strategies because intensive training has had only modest impacts on employment and earnings.

Nightingale suggests three ways to improve performance and outcomes of welfare-to-work programs: increase participation, strengthen implementation, and build ties to the labor market. Welfare staff in some states say they believe time limits, serious participation requirements, and sanctions increase participation. The most effective programs are client-oriented, even when the program includes strong mandatory obligations. The keys to successful mandatory programs appear to be clear expectations and follow-through on both services and penalties. Successful welfare-to-work programs must also understand and work with the labor market by cultivating relationships with firms and industries, developing jobs, and staying informed about occupational or technological changes that define the skills required in the workplace.

Toby Herr, director of the successful Project Match, presents a welfare-to-work strategy based on 11 years of direct service to the Cabrini-Green community in Chicago. Research from the JOBS programs and other programs revealed that flexibility is the key to an effective program. Project Match found that the five

most important characteristics of a high flexibility system are attention to transitions and flexibility around scheduling hours in an activity, the duration of an activity, the sequencing of an activity, and combining an activity with others.

In Project Match, education was often not the first step in a natural pathway out of welfare. When people entered the program, most wanted to find a job. Herr believes that working is the best way to learn about work. Using real jobs as a training ground means the program must be more interested in serving participants than employers. Also, the program must view movement from job to job as natural and must support this movement with re-employment and advancement assistance. For re-employment, the key is immediate access to job search assistance. Job search staff and resources need to be available during the evening and on weekends.

Despite these successes, some participants have been left behind. Project Match has spent considerable time figuring out how to help unsteady workers and the “hard-to-employ.” Project Match created a whole new set of work-preparation activities that are part of a larger model—the Incremental Ladder to Economic Independence. Each rung represents an increase in skills, competencies, and expectations, and a gradual increase in time commitment.

To add lower rungs to the Ladder for the hard-to-employ, Project Match identified three groups of work-preparation activities—volunteer activities, activities with children, and self-improvement activities. Volunteering is effective job preparation because it uses a work or worklike setting to help welfare recipients who are not job-ready develop skills and behaviors that will help them gain regular employment. Parent/child activities have proven one of the best places to start learning how to adhere to a schedule because many welfare recipients seem more willing to do things for their children than for themselves. The two kinds of self-improvement activities are hobbies or athletics, and counseling, treatment, or support groups.

Counseling, treatment, and support groups must always be done in conjunction with other activities on the Ladder. This requirement parallels the real world, where people with problems usually have to get help while continuing to function as workers, parents, or spouses.

The Ladder helps participants develop natural pathways to self-sufficiency. Lower rung activities may be a state’s best option for helping hard-to-serve welfare recipients prepare for work.

David Olds, Professor of Pediatrics at the University of Colorado, has been developing and studying a program in which nurses make prenatal and early childhood home visits. The program serves low-income mothers who have had no previous live births. Many of the mothers are unmarried teenagers. A 15-year follow-up compared nurse-visited, low-income, unmarried mothers with a comparison group that received transportation and developmental screening. At age 15, the children had nearly 90% fewer verified reports of child abuse and neglect and over 50% fewer arrests. The mothers had 33% fewer subsequent births, over 70% fewer arrests and convictions, and 26% fewer months on AFDC, Food Stamps, and Medicaid.

State and local governments are financing home visiting through existing programs such as Temporary Assistance for Needy Families (TANF), Medicaid, child abuse funds, and crime-prevention dollars. The evidence indicates that home visiting programs for disadvantaged mothers more than pay for themselves in reduced government expenditures.

David Liebschutz, associate director of the Center for the Study of the States, has researched state policies for providing tax relief to the poor. Poor families are generally exempt from paying federal income tax, but they pay a large amount in taxes to state and local governments. In most states, state and local taxes take nearly 14% of income from the lowest-income families and well under 10% from those with higher incomes. This difference is largely due to general sales and property taxes, which tend to be highly regressive at the lower end of the income scale.

Although the federal government eliminated most of the income tax burden on the poor in 1986, the overall state and local taxation of the poor is greater than it was in 1986. Liebschutz proposes that it may be easier for state than local governments to finance tax relief for the poor because states have greater resources. Guidelines for states include relieving property and sales taxes as well as the income tax, making credits refundable if they exceed a family's income tax liability, providing greater benefits to large families than small families, indexing the relief or providing periodic review to adjust for inflation, and moving tax relief beyond senior citizens, who account for only one tenth of the poor. To limit the cost, relief can be targeted through credits that are phased out as income rises. Finally, tax provisions should recognize that single-parent families have more in common with two-parent families than single persons.

A Checklist for Assessing the Impact of Policies on Families

The first step in developing family-friendly policies is to ask the right questions:

- ~ What can government and community institutions do to enhance the family's capacity to help itself and others?
- ~ What effect does (or will) this program (or proposed policy) have for families? Will it help or hurt, strengthen or weaken family life?

These questions sound simple, but they can be difficult to answer.

The Family Criteria (Ad Hoc) Task Force¹ developed a checklist to assess the intended and unintended consequences of policies and programs on family stability, family relationships, and family responsibilities. The checklist includes six basic principles about families that serve as the measure of how sensitive to and supportive of families policies and programs are. Each principle is accompanied by a series of family impact questions.

The criteria and questions are not rank ordered (Ooms & Preister, 1988). Sometimes these criteria conflict with each other, requiring trade-offs. Cost effectiveness also must be considered. Some questions are value-neutral. Others incorporate specific values. People may not always agree on these values, so sometimes the questions will require rephrasing. However, this tool reflects a broad, nonpartisan consensus, and it can be useful to people across the political spectrum.

Checklist: A Tool for Analysis

Check all that apply. Record the impact on family well-being.

1. **Family support and responsibilities.** Policies and programs should aim to support and supplement family functioning and provide substitute services only as a last resort.
 - ' How does the proposal (or existing program) support and supplement parents' and other family members' ability to carry out their responsibilities?
 - ' Does it provide incentives for other persons to take over family functioning when doing so may not be necessary?
 - ' What effects does it have on adult children's ties to their elderly parents?

¹Adapted from T. Ooms & S. Preister (Eds.) (1988). In *A strategy for strengthening families: Using family criteria in policymaking and program evaluation*. Washington, DC: Family Impact Seminar.

- ' To what extent does the policy or program enforce absent parents' obligations to provide financial support for their children?
 - ' Does the policy or program build on informal social support networks (such as community/neighborhood organizations, churches) that are so essential to families' daily lives?
2. **Family membership and stability.** Whenever possible, policies and programs should encourage and reinforce marital, parental, and family commitment and stability, especially when children are involved. Intervention in family membership and living arrangements is usually justified only to protect family members from serious harm or at the request of the family itself.
- ' What incentives or disincentives does the policy or program provide to marry, separate, or divorce?
 - ' What incentives or disincentives are provided to give birth to, foster, or adopt children?
 - ' What effects does it have on marital commitment or parental obligations?
 - ' How does the policy or program enhance or diminish parental competence?
 - ' What criteria are used to justify removal of a child or adult from the family?
 - ' What resources are allocated to help keep the family together when this is the appropriate goal?
 - ' How does the policy or program recognize that major changes in family relations such as divorce or adoption are processes that extend over time and require continuing support and attention?
3. **Family involvement and interdependence.** Policies and programs must recognize the interdependence of family relationships, the strength and persistence of family ties and obligations, and the wealth of resources that families can mobilize to help their members.
- ' To what extent does the policy or program recognize the influence of the family and family members upon individual needs or problems?
 - ' To what extent does it involve immediate and extended family members in working toward a solution?
 - ' To what extent does it acknowledge the power and persistence of family ties, especially when they are problematic or destructive?
 - ' How does it assess and balance the competing needs, rights, and interests of various members of a family? In these situations, what principles guide decisions (i.e., the best interests of the child)?

4. **Family partnership and empowerment.** Policies and programs must encourage individuals and their close family members to collaborate as partners with program professionals in delivery of services to an individual. In addition, parent and family representatives are an essential resource in policy development, program planning, and evaluation.
 - ' In what specific ways does the proposed or existing program provide full information and a range of choices to families?
 - ' In what ways do program professionals work in collaboration with the families of their clients, patients, or students?
 - ' In what ways does the policy or program involve parents and family representatives in policy and program development, implementation, and evaluation?
 - ' In what ways is the policy or program sensitive to the family's need to coordinate the multiple services they may require?
5. **Family diversity.** Families come in many forms and configurations, and policies and programs must take into account their different effects on different types of families. Policies and programs must acknowledge and value the diversity of family life and not discriminate against or penalize families solely for reasons of structure, roles, cultural values, or life stage.
 - ' How does the proposal or program affect various types of families?
 - ' If the proposed or existing program targets only certain families, for example, only employed parents or single parents, what is the justification? Does it discriminate against or penalize other types of families for insufficient reason?
 - ' How does it identify and respect the different values, attitudes, and behavior of families from various racial, ethnic, religious, cultural, and geographic backgrounds that are relevant to program effectiveness?
6. **Targeting vulnerable families.** Families in greatest economic and social need, as well as those determined to be most vulnerable to breakdown, should have first priority in government policies and programs.
 - ' Does the proposed or existing program identify and target publicly supported services for families in the most extreme economic or social need?
 - ' Does it give priority to families who are most vulnerable to breakdown and have the fewest supports?
 - ' Are efforts and resources targeted on preventing family problems before they become serious crises or chronic situations?

Alternative Strategies for Increasing Employment

Demetra Smith Nightingale and Pamela A. Holcomb

As states reform their welfare systems to emphasize work and self-sufficiency, they can draw on significant experience from efforts to promote employment. Work and training programs for welfare recipients and other disadvantaged individuals have been operating in every state for nearly 30 years.

Evaluations show that programs that encourage, help, or require welfare recipients to find jobs or participate in training or work-related activities can increase employment and earnings. In some cases, they reduce welfare costs. But even in the most successful programs, increases in earnings are not enough to move former welfare recipients out of poverty.

Two external factors will affect the success or failure of any attempt to move welfare recipients to work.

One is the labor market environment. Rebecca M. Blank (1995) points out that the labor market could absorb more low-skilled workers if great numbers were not expected to join the labor market all at once. And she says that the jobs available to people with few skills have deteriorated, offering low wages and few opportunities for advancement.

A second factor is the skills and experiences of the workers themselves. Gary Burtless (1995) writes that more than half of AFDC mothers in 1991 had not completed high school and had very limited basic skills. These limitations restrict their opportunities to find jobs. The jobs they do find usually do not pay enough to raise them above the poverty level or provide benefits such as health insurance.

There is no cheap solution to the welfare problem. Policy makers seem to agree that moving welfare recipients to work is their goal. But current trends in the labor market hold little promise that work will lead a family out of poverty. Policy makers must continue to search for ways to balance the social obligation to help poor children, with the strong sense that able-bodied adults should work and parents should assume full responsibility for their children.

Even in the most successful programs, earnings are not enough to move former welfare recipients out of poverty.

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Most people now agree that work, not public financial assistance, should be the main component of a family's income, even in single-parent families (Holcomb, 1993).

In 1996, Congress replaced both AFDC and the JOBS program with a new federal block grant for Temporary Assistance for Needy Families (TANF). The block grant gives states more authority to design welfare programs. It may dramatically change the types of work programs operating in states. But the lessons from past programs intended to increase employment of welfare recipients remain relevant.

This article examines what we can learn from research and operational experience.

Welfare reform objectives and priorities

As states and localities approach the opportunities and challenges presented by the new TANF block grant, each will focus on different priorities and objectives and create work-welfare programs that reflect their own priorities.

Welfare reform versus other issues

States place varying amounts of emphasis on welfare and welfare reform relative to other social policy areas such as economic development, health care reform, and work force development. States with low welfare grants, low state expenditures on welfare, or a declining welfare caseload may not see any urgent need to reform their welfare system. Other states have implemented several different welfare reform initiatives over the years and probably will continue to experiment with different strategies and policies in the future.

Employment within the welfare system

States vary in the importance they give to employment relative to other welfare concerns. The primary objective of the welfare system has been income maintenance—determining eligibility for assistance and issuing benefits. Now there is more discussion about converting welfare offices from income maintenance centers to employment centers—changing the culture of welfare offices.

Immediate employment or long-term self-sufficiency

States often have a long list of priorities for welfare reform, of which some, but not all, relate directly to work. Policy makers may seek to decrease welfare caseloads and expenditures, to improve administrative efficiency, to discourage out-of-wedlock childbearing, to increase rates of employment, or to protect the well-being of poor children and families. It is not unusual to see many, or even all, of these objectives put forward for welfare reform and welfare employment policy, although they may seem contradictory.

Most people agree that work should be the main component of a family's income, even in single-parent families.

Different priorities influence the decisions about strategies for moving welfare recipients into jobs. There is no one ideal work-welfare program model.

Strategies for increasing employment and earnings

The most common strategies for promoting employment and increasing earnings are job training, education, subsidized employment, and efforts to move individuals directly into unsubsidized employment (see sidebar on page 4). The strategies for encouraging employment emphasize specific welfare reform objectives to varying degrees.

Three objectives most important for welfare policy are

- ~ to help recipients of public assistance get regular employment,
- ~ to make sure recipients participate in some work-related activities as a condition for receiving welfare, and
- ~ to invest in skill development to improve the chances that an individual or family can become economically self-sufficient.

Short-term strategies such as job-search assistance emphasize the first aim by moving people into the regular labor market as quickly as possible, regardless of the wages at which they might be hired. Longer-term strategies such as education and training focus more on the third aim of increasing individuals' employability and wage-earning potential. The second aim is stressed by public employment strategies, such as "workfare." Workfare requires a person to work at a public job for a certain number of hours to qualify for a welfare check.

There is no one ideal work-welfare program model.

Many programs combine strategies. Some programs combine vocational training with basic skills. Others link pre-employment preparation with public jobs and ongoing counseling, education, and peer support.

Evidence of effects

Studies have shown that programs with activities directly related to employment, specifically job-search assistance and short-term work experience, can increase employment and earnings and, in some cases, reduce welfare costs (see summary of the effectiveness of 11 employment and training programs in Table 1). More intensive training and service strategies, such as supported work experience, can produce greater impacts on employment and earnings, but they cost more and serve fewer participants. Even the most successful interventions produce only small gains and have not been able to move individuals, children, and families permanently off welfare (Burtless, 1989; Greenberg & Wiseman, 1992; Gueron & Pauly, 1991; U.S. Department of Labor, 1994).

Employment

Most welfare reform demonstrations that have provided job-search assistance, work experience, training, or a combination of services showed positive, yet modest, effects on rates of employment—2 to 10 percentage points. But employment

Common Strategies for Promoting Employment

Direct Employment Strategies

Job search assistance, either in a group setting or through one-on-one counseling or coaching, sometimes through “job clubs” with workshops, access to phone banks, and peer support.

Self-directed job search, where individuals search and apply for jobs on their own. Sometimes individuals must submit a log of their job contacts to the welfare agency.

Job development and placement, where program staff identify or develop job openings for participants. Counselors refer individuals to openings, often using computerized job banks. In more intensive models, staff develop relationships with specific firms, gaining knowledge of potential job openings or commitments to hire through the program.

Job Training Strategies

Classroom occupational training by training or education institutions such as community colleges or vocational schools, community-based organizations, or nonprofit or for-profit training centers. Training may include formal post-secondary programs leading to certification or licensing in a particular occupation.

On-the-job training (OJT), with public or private sector employers, who usually receive a subsidy to cover a portion of the wages paid during the training period. The employer subsidy may be drawn from welfare or food stamp payments that would be paid to the individual recipient.

Education Strategies

Remedial education, such as preparation for the GED, basic skills instruction in reading and mathematics, English-language classes for persons whose primary language is not English.

Post-secondary degree programs (e.g., associate or bachelor degrees), generally financed by grants, federal loans, or scholarships.

Subsidized Public Employment Strategies

Work experience, which can include unpaid workfare assignments, where recipients work in exchange for welfare benefits, or short-term unpaid work experience designed as basic exposure to the work environment. Stipends are sometimes provided to the workers.

Community or public service jobs, where individuals receive wages, typically minimum wage or slightly below, for the hours they work.

Mixed Strategies

Vocational training plus basic skills, either in the workplace or in instructional centers/classes.

Supported work experience, with pre-employment preparation, assignment to public job assignments, and gradually increasing hours and work responsibility, combined with ongoing counseling, education, and peer support.

rates often remain low. As Table 1 shows, a number of programs, such as the demonstrations of the Work Incentive Program (WIN), had virtually no impact on rates of employment, although they increased the wages of those who worked and reduced welfare costs.

Earnings and welfare costs

The welfare reform programs have had more consistent effects on earnings than they have had on rates of employment. Typically, participants in low-intensity services like job search and unpaid work earn about \$250 to \$700 a year more than those in the control group (Gueron & Pauly, 1991). Strategies that integrate basic education with vocational training can have much greater impact. In the Comprehensive Employment and Training Program (CET) in San Jose, California, after 5 years, teen parents were earning about \$1,200 a year more than teen parents in a control group (Mathematica Policy Research, 1993).

Even when programs have positive effects on earnings, there are few consistent effects on time spent on welfare or grant levels (Gueron & Pauly, 1991). In large part, this is because few welfare recipients can stay employed in jobs that pay enough to make them self-sufficient. Before the recent welfare reform legislation, about half of all individuals who left welfare for a job returned to the public assistance rolls within a year. The new TANF block grant rules impose a 5-year lifetime limit on receipt of federal cash assistance. Many recipients will reach that limit. An important issue for states, then, will be to determine the appropriate balance between emphasizing immediate job placement for welfare recipients versus investing in the skills training needed for better jobs.

Job placement or training?

State and local welfare-to-work programs have always differed in the relative emphasis they place on training and education, public jobs, and immediate job entry. Currently, the trend is away from long-term training, education, and paid community service jobs and toward job entry and job-search requirements. There is a growing consensus that welfare recipients should work.

Evaluation findings also support “work first” strategies because many studies indicate that more intensive training strategies have had only modest impacts on employment and earnings. A major evaluation is comparing the effects of “labor force attachment” and “human-capital development.” Early results suggest that the labor force attachment strategies of immediate job search yield larger overall effects than strategies that build human capital through education and training (Freedman, 1995). Proponents of the human-capital approach, though, point out measurable positive effects may be lacking because the quality of the training was not high enough and the length of the training was too short.

The welfare reform programs have had more consistent effects on earnings than they have had on rates of employment.

Improving program performance and outcomes

Despite limited funding, work-welfare programs have been criticized for not serving enough people, not placing enough people in jobs, not helping people move out of poverty, and not reducing welfare dependency (Holcomb, 1993). What can be done to improve overall program performance? Three ways to improve performance and outcomes of work-welfare programs are

- ~ increasing participation rates,
- ~ strengthening implementation, and
- ~ building ties to the labor market.

Increasing participation

Although several work-welfare demonstrations increased the earnings of those in the programs, most programs have not engaged substantial portions of the welfare caseload. In many of the programs, participation mandates extended only to women with no children under 6 years of age. Most work-welfare programs and demonstrations of the 1980s served no more than 5–15% of all AFDC adults (Gueron & Pauly, 1991).

A number of work-welfare programs in the 1990s have served substantially higher proportions of the AFDC caseload. For example, in Iowa about 50% of the AFDC adults now participate in JOBS activities, and about 90% of Utah's AFDC adults are in activities designed to increase self-sufficiency (Pavetti & Duke, 1995). Most of these programs include specific efforts to increase participation. States have expanded participation mandates, introduced stronger sanctions, imposed time limits on benefits, and redefined participation to include a range of “desirable activities” in addition to work. Some states also have increased child care, case management, and other services to remove barriers to participation.

A credible threat of sanctions gives case managers a valuable tool for motivating clients who might not otherwise participate.

Participation mandates. The 1988 Family Support Act emphasized participation by setting goals for the proportion of welfare recipients who should participate in work-welfare programs funded by JOBS. By 1995, states were to serve 20% of clients who had children older than 3 years of age. Several states have gone further—reducing exemptions from participation mandates for women with young children and involving more participants than required by the JOBS program.

Sanctions. States have had authority to reduce a family's welfare payment if an adult who was required to participate in a work program did not comply. But until the 1990s fewer than 5% of welfare households nationwide had their grants reduced.

Sanctions send a clear message that the welfare system has changed—that the agency will reduce or eliminate grants when new expectations imposed on recipients are not met. A credible threat of sanctions also gives case managers a valuable tool for motivating clients who might not otherwise participate (Blank, 1995; Friedlander & Burtless, 1995).

A related policy limits the amount of time a family can receive benefits without working. A 5-year time limit is included in the new federal welfare law, but several states, including Virginia, Massachusetts, Florida, and Iowa, are experimenting with limits of 2 years or less. Welfare staff in some states say they believe time limits, serious participation requirements, and sanctions increase participation in work-related activities (Pavetti & Duke, 1995). The new message of welfare is, "We will help you, but only if you are serious about getting a job, and only for a short period of time."

Facilitating participation. Some states have redefined the meaning of participation to include productive activities other than job search, training, or education. In Utah, for instance, substance abuse treatment, mental health counseling, and parent training classes can satisfy participation requirements. However, the new federal welfare law narrowly defines the activities that can count as participation for the purpose of meeting federal requirements.

Some agencies seek to lower barriers to participation in welfare-to-work activities. Many recipients need child care, case management, job counseling, job training, and remedial education. Wisconsin and Iowa have stated a commitment to provide help that enables welfare recipients to work.

Voluntary work-welfare programs have proved able to attract large numbers of participants without imposing mandatory participation requirements. Private-sector job training programs such as Project Quest in the San Antonio area and the CET program in San Jose do not have resources to serve all the people who want to participate (Mathematica Policy Research, 1993).

Keys to successful mandatory programs appear to be clear expectations and follow-through on both services and penalties.

Strengthening implementation

Evaluations of work-welfare demonstrations of the past 20 years show that employment, training, education, and work requirement programs can be cost-effective, as long as they are well executed. But not all evaluated demonstrations and programs show positive effects, and the effects of programs using similar strategies vary across sites and over time. One study compared high- and low-performing WIN programs in the late 1970s in order to understand why some programs succeed and others do not (Mitchell, Chadwin, & Nightingale, 1979). The high-performing programs shared certain characteristics not found in the low-performing programs.

- ~ In successful programs administrators, managers, and staff agree on goals and priorities. For instance, if official welfare reform policy makes work and employment the top priority, but local welfare offices emphasize procedures for documenting eligibility for cash assistance, little progress will be made toward employment.

Welfare staff say time limits, serious participation requirements, and sanctions increase participation in work-related activities.

- ~ High-performing programs offer a broad range of employment, training, counseling, and other supportive services. Simply instituting job-search requirements may yield a large number of job placements, but they will not necessarily be jobs offering the stability or wages required for self-sufficiency.
- ~ The most effective programs are client-oriented, even when the program includes strong mandatory obligations. Analysts and program administrators suggest 10–15% of new applicants for welfare may be diverted by strong participation requirements. Another third may obtain jobs through a required job search. The remaining 50% probably need the help of job brokers or case managers, not just enforcers of welfare rules. Welfare workers who document eligibility for welfare assistance cannot be expected to serve as employment coaches unless their caseloads are reduced. Policy makers must be realistic about what programs can achieve without significant funding increases.

Building ties to the labor market

Successful welfare-to-work programs must understand and work with the labor market. Yet, few programs cultivate relationships with firms and industries, develop jobs, or stay informed about occupational or technological changes that define the skills required in the workplace. In contrast, some small-scale nonprofit training programs and institutions such as Project Quest and CET use detailed knowledge of the labor market to prepare participants for jobs that are in demand. These programs succeed in part because they can select and serve a few recipients. But their success also suggests that stronger ties to the labor market can benefit a wide range of programs.

The labor market defines the limits of the success welfare-to-work programs can achieve. If the objective is to move welfare recipients into jobs, common sense suggests that this transition will be more likely to occur when unemployment rates are low and employer demand for workers is high. In the study of high- and low-performing WIN programs mentioned earlier, between 30% and 50% of the variation in program performance was explained by labor market and demographic conditions. These conditions include employment growth in the area, the proportion of local jobs requiring limited skills, the local poverty and unemployment rates, and the prevailing hourly wages (Mitchell et al., 1979). Concerns about the ability of the labor market to serve as the economic vehicle to move people out of poverty have spurred development of a variety of other approaches for welfare recipients.

One example is the New Hope Project being tested in two low-income neighborhoods in Milwaukee. New Hope participants are guaranteed their income will be above poverty as long as they work. The program provides subsidized community service jobs to workers who cannot find a full-time job in the regular labor market. Workers receive wage supplements in addition to wages and can buy into a health care plan and child care, for fees based on their income.

The labor market defines the limits of the success welfare-to-work programs can achieve.

The model is promising because it attempts to compensate for the weaknesses in the labor market. Welfare reform strategies that increase the amount of earned income that is “disregarded” when the welfare grant is calculated also represent efforts to make it worthwhile for welfare recipients to work in the regular job market, even in low-paying jobs. In New Hope, low wages are directly supplemented. In the welfare projects, low wages are indirectly supplemented by allowing workers to continue to receive some welfare payment.

Conclusion

The nation is entering a new phase in the history of its social policy. However, our past experience can help guide welfare reform decisions in the coming years. The main message from our experience is that there is no single answer to the problems of poverty and welfare dependency. Simply requiring individuals to work is not enough to make them permanently self-sufficient if they do not have adequate skills, if jobs are not available, or if wages are too low. States should offer a broad range of services and encourage a variety of employment-related strategies to meet the needs of a very diverse population. In the end, the success of state and local programs may depend on how well leaders understand the local labor market and how well they incorporate that understanding into their work-welfare strategies.

There is no single answer to the problems of poverty and welfare dependency.

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Table 1. Characteristics and Outcomes of Selected Employment and Training Programs for Disadvantaged Individuals and Welfare Recipients

Program name and start date	Program components	Evaluation setting	Cost per person (in 1995 dollars)
ET Choices (MA) 1986	Voluntary job search, training, education, supported work	State work-welfare program, in 58 local AFDC offices	\$1,922 per year
Family Independence Program (WA) 1992-93	Voluntary job search, training, education	State welfare reform program, in 10 local sites	Not available
GAIN (CA) 1988	Mandatory job search, education, training, unpaid work	In welfare offices and community orgs in 6 counties	\$3,610 per year (net)
Job Start 1985	Education, vocational training, job placement	13 community orgs, vocational schools, Job Corps Centers	\$1,072 per month
Job Training Partnership Act 1987	Voluntary job search, classroom and on-the-job training	In JTPA-funded job training programs in 16 sites	\$3,063 per year
Minority Female Single Parent Demo 1984	Remedial education, job training, support services	In community organizations in 4 cities	\$596 to \$1,079 per year
New Chance 1989	Comprehensive education, parenting, employment services	16 community orgs, private industry councils, schools	\$1,706 per month
Supported Work Demonstration 1975	Paid work experience, counseling, support services	In community organizations in 10 cities	\$8,281 per year
SWIM (San Diego) 1985	Mandatory job search, education, job training, unpaid work	In welfare offices in San Diego County	\$1,251 per year
Teen Parent Welfare Demonstration 1987	Mandatory education, job preparation, case management services	In welfare offices in 3 cities	\$300 per month
WIN 1982	Mandatory job search, unpaid work (in MD, also education and job training)	In county welfare offices in VA, AK, and Baltimore, MD	VA: \$609 per yr AK: \$198 per yr Baltimore: \$418 per yr

(Table continues)

Table 1 (continued)

Program name	Study design & sample size	Enrollment to last follow-up	Employment-related outcomes for participants
ET Choices (MA)	Matched comparison groups, 17,000	1 year	Employment rate ^a = 45%, P > C*** Monthly earnings ^b = \$290, P > C*** Monthly AFDC = \$293, P > C***
Family Independence Program (WA)	Comparison sites, 17,800 (ongoing cases) ^c	3 years	Employment rate = 31%, P = C Monthly earnings = \$129, P = C Monthly AFDC = \$391, P > C***
GAIN (CA)	Random assignment, 33,000	3 years	Employment rate = 57%, P > C*** Monthly earnings = \$228, P > C*** Monthly AFDC = \$424, P < C***
Job Start	Random assignment, 508 teen parents	4 years	Employment rate = 49%, P = C Monthly earnings = \$260, P = C Monthly AFDC = \$271, P = C
Job Training Partnership Act	Random assignment, 6,102 adult women	18 months for empl. rate, 30 months for earnings & AFDC	Employment rate = 80%, P > C*** Monthly earnings = \$500, P > C*** Monthly AFDC = \$74, P = C
Minority Female Single Parent Demo	Random assignment, 3,352	12–15 months	Employment rate = 48%, P = C Monthly earnings = \$446, P = C Monthly AFDC = \$307, P = C
New Chance	Random assignment, 2,088 young mothers	18 months	Employment rate = 43%, P = C Monthly earnings = \$85, P = C Monthly AFDC = n/a ^d
Supported Work Demonstration	Random assignment, 1,620 AFDC recipients	19–27 months for AFDC, 25–27 months for employment rate and earnings	Employment rate = 42%, P > C* Monthly earnings = \$664, P > C*** Monthly AFDC = \$632, P < C**
SWIM (San Diego)	Random assignment, 3,210	5 years	Employment rate = 34%, P > C*** Monthly earnings = \$329, P > C** Monthly AFDC = \$95, P < C***
Teen Parent Welfare Demonstration	Random assignment, 5,297 teen parents	2 years	Employment rate = 48%, P > C** Monthly earnings = \$160, P > C** Monthly AFDC = \$282, P < C**

(Table continues)

Table 1 (continued)

Program name	Study design & sample size	Enrollment to last follow-up	Employment-related outcomes for participants
WIN	Random assignment, AR: 1,127 Baltimore: 2,757 VA: 3,150	5 years	AR : Employment rate = 50%, P = C Monthly earnings = \$176, P = C Monthly AFDC = \$95, P = C Baltimore: Employment rate = 78%, P = C Monthly earnings = \$391, P > C*** Monthly AFDC = \$251, P = C VA: Employment rate = 76%, P > C** Monthly earnings = \$326, P > C* Monthly AFDC = \$149, P = C

Notes:

^aP = participant group; C = control or comparison group; P = C indicates that the outcomes for the two groups were not different, to a degree considered significant in a statistical sense. * indicates that a difference exists that would occur by chance only 1 time in 10; ** indicates a difference that would occur by chance 1 time in 20; *** indicates a difference that would occur by chance 1 time in 100.

^bEarnings have not been adjusted to reflect different costs of living in different locations.

^cThe Outcomes column reflects only the fraction of the sample that were ongoing AFDC cases when the program began, not new recipients

^dn/a = data not available in this form.

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Making the Shoe Fit: Creating a Work Preparation System for a Large and Diverse Welfare Population

Toby Herr, Suzanne L. Wagner, and Robert Halpern

Introduction. Welfare-to-work from a human development perspective

The purpose of this paper is to present a vision of a welfare-to-work system derived from Project Match's 11 years of direct-service experience and research. Project Match is a voluntary program that offers retention, re-employment, and advancement assistance as part of its direct-service activities in the Cabrini-Green community in Chicago. Our vision grows out of a fundamental reconceptualization of work preparation that begins by asking two questions: What are the pathways that people take naturally when they leave welfare outside of welfare-to-work programs? And how can programs be structured to reflect what we learn from these pathways?

We believe that the issues we address in this paper will continue to be relevant under the Temporary Assistance for Needy Families (TANF) Block Grant. In fact, given that there are now strict work requirements and time limits, the issues are more relevant than ever. States *must* find ways to prepare a large and diverse welfare population for work.

This briefing paper is excerpted from a longer paper with the permission of the authors. The complete paper consists of an introduction, three content sections, and a concluding "how to" section. The introduction asks the reader to view the welfare-to-work process from a human development perspective—one that is grounded in an understanding of how people learn and change. Section One critiques previous welfare-to-work approaches to discover reasons for their limited effectiveness. Section Two describes an approach to moving welfare recipients into the workforce that relies on work itself as work preparation rather than job readiness classes or subsidized jobs. Section Three describes activities Project Match designed specifically for the "hard to serve." The conclusion outlines a tool developed from Project Match's experience for guiding people along the "natural pathways" to self-sufficiency. This tool, the Pathways System, is being piloted in welfare programs in Chicago and Des Moines, Iowa. It has three components: a monthly activity diary, a computerized tracking system, and basic rules and procedures for line workers and welfare recipients.

This briefing paper summarizes the Introduction and Sections Two and Three.

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If welfare-to-work programs are to be successful, the welfare-to-work process must be viewed from a human development perspective. If welfare recipients are to develop into steady workers, we have to create a welfare-to-work system that reflects what we know about how people learn and grow. We have to wrestle with such questions as these: Why don't many welfare recipients successfully complete basic education programs? Why do they have trouble keeping jobs? How can they learn the most basic requirements for employment, like adhering to a work schedule and getting along with coworkers and supervisors? Work requirements and time limits alone will not be enough to turn a large and diverse welfare population into steady workers. If this is to happen, we will have to begin to think differently about the nature and substance of work preparation.

Section Two. A different approach to work preparation: Project Match's experience as a high-flexibility program

Our review of the research from the JOBS program and other programs across the country revealed that flexibility is the key to an effective program. Project Match identified five characteristics of a high flexibility system as most important:

- ~ Flexibility around the number of hours per week an activity lasts
- ~ Flexibility around duration of an activity
- ~ Flexibility around sequencing of an activity
- ~ Flexibility around combining an activity with others
- ~ Attention to transitions

Using work as work preparation

One of the first things Project Match discovered was that education was often not the first step in a natural pathway out of welfare. When people entered the program, most wanted to find a job. They did not want to go to GED classes or other education programs. Project Match staff did encourage many to go, believing that education credentials would improve their job prospects, but we quickly saw that most people simply dropped out of the classes or failed to make progress. So staff decided to help participants get what they wanted—a job.

Unfortunately, almost as many people were unsuccessful at their first jobs as had been unsuccessful in basic education. Fifty-seven percent lost or quit their first job within 6 months. Seventy percent left within 12 months (Herr & Halpern, 1991). To counter this trend, Project Match began to offer re-employment assistance to people who lost or quit jobs, retention assistance for people who were working, and advancement assistance to help people move up in the labor market.

At Project Match we think working is the best way to learn about work. You can lecture participants in a job-readiness class about potential problems with supervisors, for instance, but it is likely to be so abstract as to be meaningless to most

At Project Match we think working is the best way to learn about work.

people there. But when a person is on the job and experiencing a real problem with a supervisor—that's when guidance and advice will mean something and that's where retention services come in.

Of course, using real jobs as a training ground means that the program must be more interested in serving participants than local employers. Using jobs as a training ground also means that the program must view movement from job to job as natural. It must be prepared to support this movement with re-employment and advancement assistance. Further, the program must be ready to help people go back to school if they decide that is the best next step. We have found that many people, after working in low-paying entry-level jobs, begin to see that further education is probably the only way to get a better job.

First jobs—and probably second and third ones—are steps along the way toward self-sufficiency. Once this fact has been accepted, it changes the nature of job search in welfare-to-work programs.

The key to the re-employment process is immediate access to job search assistance.

Job search in a high-flexibility system

Re-employment and advancement assistance are really the same process as a first job search. When it comes to re-employment, the key is *immediate* access to job search assistance, particularly to prevent people from reapplying for welfare or going back to a full grant. That's why group job searches, a common practice in many places, is unlikely to meet the needs of people who lose jobs or who want to find better ones.

When people need re-employment assistance, they should not have to go through any bureaucratic process to get access to job leads, word processors, telephones, and advice and guidance from staff. They should have immediate one-on-one help to determine what went wrong at the job and to address specific problems. Does the person need advice about how to interact with a supervisor? Does the person need help arranging child care? Or does the person simply need to find a job that is more convenient to home? Every problem that leads to job loss may not be difficult to solve or require tons of staff time. We have found that quite often people mostly need access to job leads.

When it comes to advancement assistance, group job search would be inappropriate. It would not be an effective use of time or resources for welfare recipients or for anyone looking to become re-employed. And it usually is offered during the day when people who are working cannot attend. Job search staff and resources need to be available during the evening and on weekends. People shouldn't have to quit a job in order to get help to find another.

In Oregon, a resource room is located at some branch offices of the welfare department and at all sites for the state welfare-to-work program. Job developers for Oregon's welfare-to-work program send leads to the resource rooms. Job openings from the Oregon Employment Division are posted. The resource rooms subscribe to newspapers and periodicals that list employment opportunities. Telephones, typewriters, word processors, fax machines, copiers, bond paper, and

other materials necessary for applying for a job are available. Staff members are there to assist people individually. Resource room staff and job developers offer group workshops such as weekly sessions on job openings in various labor market sectors.

Such a resource room is the foundation upon which every program should build. A resource room can be used for either group or individual job search. It can be used for guided or independent job search. It can be used for first-time job search, for re-employment job search, and for advancement job search. It is the key to being able to offer job search assistance in a high-flexibility system.

Project Match's results from operating a high flexibility system

How much more effective is the Project Match approach than the typical welfare-to-work approach?

In Riverside, California, considered to have the most successful government program, a decreasing number of experimental group members worked each year during the 3-year follow-up period: 52% were employed at some point in Year 1, 49% in Year 2, 45% in Year 3, and 31% by the last quarter of Year 3 (Riccio, Friedlander, & Freedman, 1994). The pattern at Project Match looks quite different. Data on a sample for which we have 5 years of follow-up showed in Year 1 that 87% of the participants worked at some point. Over the next 4 years, this percentage stayed steady, climbing slightly to 93% by Year 5. Project Match participants do have a high rate of job loss, but we address job loss quickly through re-employment services and we get many people back into the workforce. An even more encouraging pattern that emerged from our data is that during the follow-up period an increasing number of sample members were working full-year with each passing year. In Year 1, 26% worked all 12 months of the year. The number climbed to 36% in Year 2, 38% in Year 3, 45% in Year 4, and 54% by Year 5.

The Riverside data and our data are not directly comparable. Project Match is a voluntary program, whereas Riverside is a mandatory one. Project Match has never been evaluated using a random assignment research design, so we do not know what would have happened to people in the absence of Project Match. Nevertheless, we believe that if Riverside offered retention and re-employment assistance similar to Project Match's, it would not have seen such a decrease in the number of people working over the years. A fair number of people probably would have been helped to find their way back into the workforce.

Despite our successes, some participants have been left behind. Some people cannot find jobs at all. Some find jobs but cannot keep them long. They keep cycling from one low-wage job to another, often with long periods of unemployment in between. Most of these people have failed in education programs as well. Given their limitations, we believe that this group would not succeed in other kinds of work preparation either. Some people in this group would be exempt in a

A resource room is the key to being able to offer job search assistance in a high-flexibility system.

government program. Others would simply hit the wall in a time-limited system. We have found that we cannot predict who will fall into this group. Some of them have substance abuse problems, but some of our participants who are now steady workers also once had such problems. But no matter why they end up in the “no progress” group, they can range from 20% to 50% of Project Match participants (Herr & Halpern, 1991).

Because we are committed to helping everyone who comes to our program, we have spent considerable time figuring how to serve this group. Our experience with this group is extremely relevant to recent federal welfare reform. States must now serve far larger numbers of people in welfare-to-work programs than ever before, including many who previously would have been exempt.

States must now serve far larger numbers of people in welfare-to-work programs, including many who previously would have been exempt.

Section Three. Adding lower rungs to the Ladder: How to help the “hard-to-serve”
In recent years, some states have moved toward universal or near-universal participation in welfare-to-work programs. They have come face to face with question of how to help the hard-to-serve.

Many public and private programs attempt to help the hard-to-serve by identifying and treating barriers such as substance abuse or mental health problems. Project Match has developed a different approach—one in which treatment is not the only activity. In fact, in Project Match, treatment is usually not even the core activity. Instead, Project Match has created a whole set of new work-preparation activities that address a broad range of psychological, social, and cognitive issues common to most welfare recipients. Many people who end up in the hard-to-serve group do have problems such as substance abuse or abusive boyfriends or spouses. Often, however, these problems alone do not keep them from getting and keeping jobs. There is usually a host of more subtle, harder-to-pinpoint problems that would hold them back even if they did overcome a drug habit or other perceived barrier.

Project Match’s Incremental Ladder to Economic Independence

Project Match has three groups of work-preparation activities—volunteer activities, activities with children, and self-improvement activities. These are part of a larger model—the Incremental Ladder to Economic Independence (see Figure 1). The Incremental Ladder also includes education or training activities and employment. With this broad array of activities, there is a place on the Ladder for every welfare recipient, from the most to the least job-ready. Underlying this welfare-to-work model is a developmental approach. Activities are arranged on the Ladder so they are progressively more demanding. On each rung there is an increase in skills, competencies, and expectations and a gradually increasing time commitment.

We use the Ladder to help participants develop natural pathways to self-sufficiency. The Ladder helps staff and participants consider their alternatives at each step by laying out a variety of options. People can move up and down the Ladder. They can move sideways or diagonally. A common natural pathway at Project

Figure 1. Incremental Ladder to Economic Independence

Unsubsidized Jobs 40 Hours/Week (Over \$6.00/Hour, Benefits) Over 5 Years 4-5 Years 1-3 Years		Unsubsidized Jobs 40 Hours/Week (\$6.00/Hour or Less) Over 1 Year 7-12 Months 4-6 Months 0-3 Months		Unsubsidized Jobs 20 Hours/Week or More 7-12 Months 4-6 Months 0-3 Months		Unsubsidized Jobs 20 Hours/Week or More College Vocational Training High School ABE/GED		Unsubsidized Jobs 5 Hours/Week or More Crafts/Sewing Exercise Class/Aerobics Substance Abuse Treatment	
Scheduled Hours 20 Hours/Week or More Outside Community (e.g., Hospitals) Inside Community (e.g., Child's School)		Scheduled Hours 11-19 Hours/Week Outside Community (e.g., National Organizations) Inside Community (e.g., Church)		Scheduled Hours 7-12 Months 4-6 Months 0-3 Months		Scheduled Hours 11-19 Hours/Week College Vocational Training ABE/GED Literacy		Scheduled Hours 5-10 Hours/Week College Vocational Training ABE/GED Literacy	
5 Hours/Week or More Other Activities (e.g. Sports) Community Activities (e.g., Scout Leader, Coach) School-based Activities (e.g., Homeroom Mother)		Scheduled Hours 1-10 Hours/Week Local School Council Tenant Management Bd. Child's School Head Start		Subsidized Work On-the-Job Training Supported Work		Subsidized Work On-the-Job Training Supported Work		Subsidized Work On-the-Job Training Supported Work	
3-4 Hours/Week Family Literacy Programs Family Support Programs (e.g., Parenting Education Class, Drop-in Center)		Unscheduled Hours Local School Council Tenant Management Bd. Child's School Head Start		Internships with Stipend Structured Activities w/Stipends (e.g. WIC Clerk, Head Start Aide) 7-12 Months 4-6 Months 0-3 Months		Internships with Stipend Structured Activities w/Stipends (e.g. WIC Clerk, Head Start Aide) 7-12 Months 4-6 Months 0-3 Months		Internships with Stipend Structured Activities w/Stipends (e.g. WIC Clerk, Head Start Aide) 7-12 Months 4-6 Months 0-3 Months	
1-2 Hours/Week Acts on Referrals in Timely Manner Takes Child to Extracurricular Activities Regularly Gets Child to School on Time		Volunteer Work/ Advisory Boards Local School Council Tenant Management Bd. Child's School Head Start		Employment Structured Activities w/Stipends (e.g. WIC Clerk, Head Start Aide) 7-12 Months 4-6 Months 0-3 Months		Education/Training ABE/GED Literacy		Self-Improvement Activities Family Counseling Individual Counseling Parenting Class	



--WELFARE DEPENDENCY--

Match is for people to enter the program and start working at either part-time or full-time jobs. Many just keep moving up the Ladder. Others straddle employment and education rungs at some point. The time frame for each participant is different. The Ladder embodies the characteristics that make for a high-flexibility program. Attention to transitions is also inherent in the Ladder model.

Volunteer activities

Volunteering can serve as a lower rung of a career ladder. It provides an opportunity to develop skills, build confidence, and create a social network. It also opens the door to other opportunities.

Perhaps the most frequently cited example concerns Head Start. Parents of children in Head Start are encouraged to volunteer in the classroom or on policy committees. Quite a few go on to become Head Start staff. In 1993–94, for example, 31% of Head Start staff were parents of current or former Head Start children (U.S. Department of Health and Human Services, 1995).

Volunteering can lead to regular employment. One Project Match participant volunteered at her child’s elementary school, where she worked in the administrative office calling the parents of children who did not come to school to verify why they were absent. She now works at Federal Express. This volunteer experience laid the foundation for her to go out and get a regular job, not just in terms of skills and work habits but also in terms of confidence and motivation. In this case, it took some prodding from Project Match to help this woman realize she had developed marketable skills and was ready for a regular job. Just because a pathway is “natural” doesn’t mean it will unfold without attention to transitions.

Volunteering is effective job preparation because it uses a work or worklike setting to help welfare recipients who are not job-ready develop skills and behaviors that will help them gain regular employment.

Activities with children

Project Match began to consider these activities when we observed that many of the people who could not get to school or work on time were the same people whose children were always late to school or never made it to appointments and extracurricular activities. We reasoned that the best place to start learning how to adhere to a schedule was with parent-child activities. First, many welfare recipients seem more willing to do things for their children than for themselves. Second, there are not a lot of expectations to overwhelm or confuse parents in these activities. The only expectation on the lowest rung of the parent-child activity category is that the parent will get the child to a certain place at a certain time. The parent is not faced with additional expectations once she gets there, like having to learn algebra or how to talk to potential employers.

The best place for many participants to start learning how to adhere to a schedule is with parent-child activities.

Counseling, treatment, and support groups should always be done in conjunction with other activities on the Ladder.

Self-improvement activities

There are two kinds of self-improvement activities on the Ladder: counseling, treatment, or support groups and hobbies or athletics.

Although we recognize the importance of counseling, treatment, and support groups, we believe that such activities should always be done in conjunction with other activities on the Ladder. In most other welfare-to-work programs, people in treatment are usually not expected to be involved in other activities. But outside of welfare-to-work programs, people with problems—even serious problems—usually have to get the help they need while continuing to function at some level as workers, parents, or spouses, or in other roles. We try to prepare people for this reality by helping them tackle their problems while continuing to work or go to school. Engaging in other activities gives participants the opportunity to meet new people, to be exposed to different environments, and to feel a sense of accomplishment. Isolation and inactivity often worsen problems like depression, substance abuse, and family violence.

Hobbies and athletics can provide an arena for positive development. We tend to think of hobbies and athletics as just “fun.” They can, however, play an important developmental function and can serve as a forum for learning specific skills and valued behaviors, like knowing how to follow instructions and being able to work with others as a member of a team. To function as legitimate lower-rung work-preparation activities, though, these classes and groups must meet regularly and have set times for starting. The activity must have a schedule that can be verified.

The characteristics of lower-rung activities

These three activities constitute the lower rung activities and share several characteristics that make them constructive work-preparation for the least job-ready:

- ~ They are flexible when it comes to scheduling, duration, sequencing, and combining.
- ~ They cannot be implemented without paying attention to transitions.
- ~ They are based on an experiential learning approach.
- ~ They provide a variety of options from which participants can choose.
- ~ They carry a low risk of failure.

Why lower-rung activities help people prepare for work: Some theoretical rationales

Participation in lower-rung activities have three beneficial effects that are directly relevant to preparing people for work. These activities help people

- ~ learn to stick to a work schedule;
- ~ learn to interact appropriately with supervisors, coworkers, and customers or clients; and

~ acquire a variety of job-related skills.

How do we “teach” people to adhere to a work schedule?

There is a difference between being unable to adhere to a work schedule because a person never learned how to do so and being unable to adhere to a schedule because of frequent crises or chronic problems such as an ill child or an abusive spouse. Among welfare recipients, tardiness and absenteeism are common for both these reasons, yet each reason requires a different sort of intervention.

Every culture is marked by a particular temporal framework. In industrial cultures like ours, time is defined by small units that are tied to clock time and by a linear view of the relationship of these units to one another. In other words, getting somewhere on time requires developing a temporal framework in which a person thinks and acts upon an understanding of the succession of events in relation to his or her own actions and to desired goals (Norton, 1990).

So how can we teach people to gain a better sense of time?

Begin with enjoyable or personally useful activities. If we want welfare recipients to learn how to adhere to a schedule, it will help to start out by making the activities in the employability plan enjoyable or personally useful. In many cases, people might already be doing things that can be incorporated into an employability plan, as long as the activity has a regular schedule. Once a person proves that she can get to scheduled activities that are “fun,” we know that if she doesn’t get to less enjoyable activities, it is not because she doesn’t know how to adhere to a schedule. Other problems may exist.

Begin with simple tasks. On the lowest rungs of the Incremental Ladder, getting places regularly and on time is the only skill a person is working on. We try to make that one activity as easy as possible to attend. We choose an activity within walking distance of a person’s home or one that can be reached easily by public transportation. We choose an activity that does not require finding child care. As a person shows she is able to meet the expectations of a simple schedule, we add hours in the activity—or more activities. We might replace the initial activity with activities that require the participant to think about complicated bus schedules and child care arrangements or to make the time to do “homework” for an activity.

Find the “zone of proximal development.” The trick in moving from simple to more complex employability plans is knowing when a person is ready to tackle a bigger challenge and what the challenge should be. In the field of cognitive learning, this is known as finding the zone of proximal development.

To illustrate what the zone means in the context of a welfare-to-work program, let’s look at the hypothetical case of two women who have both been assessed as needing to work on time-management skills in a lower-rung context. Both

To help welfare recipients learn how to adhere to a schedule, start out by making the activities in the employability plan enjoyable or personally useful.

women have the same initial employability plan: every Tuesday they are to take their youngest children to a ceramics class that meets from 4:00 to 5:30.

At the end of the month, the caseworker finds out that one woman got her daughter to all four classes during the month on time. The woman also helped the ceramics teacher put the children's projects into the kiln, even though this type of volunteering was not part of her employability plan. The other woman brought her son to only two of the four classes and was half an hour late for both of them. Unlike the other mother, she did not stay for the class, but simply dropped off her son and picked him up at the end.

The first woman appears ready for a more challenging employability plan. The second woman, in contrast, will need more help before she can move on.

Interacting appropriately with supervisors, coworkers, and customers or clients

Not acting appropriately with supervisors, coworkers, and customers or clients is a common reason for job loss, perhaps even more common than low skills (Berg, Olson, & Conrad, 1991; Quint & Musick, 1994).

Understanding of the relational dynamics of the workplace is gradual and complex, involving cognitive, social, and emotional development. First, a person must "learn" the rules and expectations that govern how to behave at work. Second, a person must develop the psychological resources to be able to act on those rules and expectations. Lower-rung volunteer activities can help people learn these lessons.

Learning the rules and expectations of relationships at work. Many welfare recipients who fall into the hard-to-serve group need to learn the complicated and subtle set of rules and expectations about the values and customs of the workplace. They need to learn to interact with supervisors, coworkers, and customers or clients. Usually they are sent to job-readiness classes to learn this. People may come out of these classes able to recite the rules and expectations, but they are often unable to apply their lessons to real-life, on-the-job situations.

Not acting appropriately with supervisors, coworkers, and customers or clients is perhaps a more common reason for job loss than low skills.

This breakdown occurs because, as linguist James Paul Gee (1987) put it, there is a difference between "learning" and "acquisition." People who can adjust their behavior to different situations usually develop the capability through a process of acquisition, not learning. Behaving properly in a given setting is a "performance" skill and not a "talking about" skill. Thus, it is easy to see why job-readiness classes are not the best approach: they promote learning instead of acquisition. Yet, when it comes to keeping a job, it's performance that counts.

To help welfare recipients develop social competencies, we need to set up situations that will lead to acquisition. This is one of the goals of the volunteer activities we have described. In most volunteer settings there are both formal and informal policies regarding interpersonal behavior that are similar to those in normal work settings. There is also the same sort of hierarchical structure. These set-

tings also offer exposure to people who model the behaviors that many of the least job-ready need to learn.

Volunteer settings usually are a safe place to practice these new skills. A key to practicing is that the consequences for failure must not be too severe. In lower-rung settings, people tend to be able to make mistakes without suffering serious consequences and they get the chance to try again.

Psychologist Margaret Donaldson (1979) says people learn better and more quickly in settings that are familiar to them. Because most volunteer settings are community agencies and institutions, the volunteers often know the people there. Moreover, in community agencies and institutions at least some of the staff members are likely to be ethnically or racially similar to the volunteers. This is important in fostering identification with and imitation of role models. People also often already know how to get to the place where they are volunteering. They are familiar with the physical layout of the building or office. They usually understand the purpose of the agency or institution and the various roles and responsibilities of the people there. Because the settings make human sense to the volunteers in terms of people, place, and purpose, the acquisition of social competencies is more likely to occur.

Developing the psychological resources to be able to interact appropriately. A person may know what the rules and expectations of workplace relationships are, but that is not the same as being able to act on them. To do this requires the ability to balance one's immediate needs and feelings against the longer-term consequences of acting on them. In an employment context, this means not walking off the job when you don't like your supervisor. Instead, you find a constructive way to address the problem on the job or continue to put up with the situation while you look for another job. For most people, self-regulation requires strong motivation because it means acting in a way that is contrary to what you are thinking or feeling, to the way you would really like to act.

For people who need more than financial incentives and disincentives to learn to regulate behavior, the lower rungs add a layer of psychological ones, which go deeper and for many people can be more powerful. The key is self-esteem, which, in the field of human development, is generally considered to have two dimensions or sources: competence and acceptance. In lower-rung activities, both the desire for competence and the need for acceptance are motivational forces.

What we mean by competence will become clearer if we use a concrete example involving a Project Match participant who has severe learning disabilities and difficulty completing simple tasks. This woman had a child at Head Start and we thought that a good activity for her would be to sign up other Head Start parents to volunteer there. At first she had difficulty working the sign-up table. Eventually she could do it with relative ease. At this point we began to push her

Because community agencies and institutions make sense to volunteers in terms of people, place, and purpose, the acquisition of social competencies is more likely to occur.

toward the next incremental competency, providing a monthly summary of parents' volunteer hours. By giving the Head Start volunteer progressively more demanding tasks, we helped her feel a sense of competency.

The lower rungs also foster the second dimension of self-esteem—acceptance. This need influences our behavior, our decisions, the way we feel about ourselves. The lower-rung volunteer activities help people feel accepted because, as volunteers, they tend to be welcomed and appreciated by the agency or institution they have chosen.

The lower-rung volunteer activities help people feel accepted because, as volunteers, they tend to be welcomed and appreciated by the agency or institution they have chosen.

Lower-rung settings also provide the opportunity for welfare recipients to become part of a new social group. Community institutions and agencies tend to be relatively small, informal and inclusive. They encourage interaction and socializing among staff at all levels. It is easy for volunteers to meet new people and make new friends. These new “reference groups” are important from a work-preparation perspective because they are composed primarily of working people who can serve as role models. These role models often are similar to the volunteers. They may live in the same neighborhood. They may be the same gender. They may be racially or ethnically similar. They may even once have been welfare recipients.

Fostering self-esteem through the development of a sense of competence and acceptance is essential to helping people learn to self-regulate their behavior.

The issue of workplace diversity. Race and ethnicity can affect the ease and comfort with which people learn to interact appropriately on the job. In the United States, most workplaces are governed by White cultural norms. For many potential workers, these norms may be quite foreign. Even those who understand the norms may not feel comfortable with them. Employers have been more likely to recognize these issues in relation to immigrants; there has been less recognition of the tensions between African American culture and White American culture in the workplace.

In our opinion, one of the main reasons for these tensions comes down to different ways of communicating. In his book *Black and White Styles in Conflict*, Thomas Kochman, a professor of communication, describes some of the differences between Black and White modes of expression: for example, “black culture allows its members considerably greater freedom to assert and express themselves than does white culture. . . . It also values spontaneous expression of feeling. . . . White culture values the ability of individuals to rein in their impulses.” Anyone who has attended services in both Black and White churches has probably noted this difference. In most mainstream White churches, the congregation sits quietly, speaking and singing only where the liturgy indicates they should. In many Black churches, the congregation is much more spontaneous, speaking and singing when moved to do so. In and of themselves, neither mode of expression is better or worse; they are simply different. But this difference can lead to discomfort, miscommunication, and conflict when the two styles come together, as they often do in the workplace.

Given the reality of workplace diversity, we believe that employers must do some learning about the culture of their workers—whether African American, Asian, Hispanic, or something else—just as we expect workers to learn about the culture of the workplace. Through better understanding, tensions are likely to diminish.

Acquiring job-related skills in community settings

Lower-rung activities help people acquire skills needed in many entry-level jobs—basic math and reading skills, computer skills, office skills such as filing and phoning, writing and presentation skills, teaching skills, child care skills, and cooking skills, to name a few.

Lower rung settings are often a better place for learning such skills than traditional work activities. Jean Lave and Etienne Wenger (1991), in their *Situated Learning*, argue that social processes are as important to learning as cognitive processes. They examine formal and informal apprenticeship situations in different cultures and isolate the social conditions that promote the acquisition of specific skills. Among these conditions are three that are particularly evident in the community agencies and institutions where welfare recipients can volunteer:

- ~ The “community of practice” is relatively easygoing and engaging.
- ~ The volunteer can start out in a peripheral role and then move “in.”
- ~ The volunteer has the chance to perform many different tasks and to try out different roles.

The qualities of the community of practice. By “community of practice” Lave and Wenger (1991) mean the people as well as the *gestalt* of the setting—its mission, values, atmosphere, attitudes, and other characteristics. The particular qualities of a community of practice will affect the learning process of the apprentice. In particular, “conditions that place newcomers [apprentices] in deeply adversarial relations with masters, bosses, or managers; in exhausting over-involvement in work; or in involuntary servitude rather than participation distort, partially or completely, the prospects for learning in practice” (Lave & Wenger, 1991). In contrast, in most community agencies and institutions, there is usually a feeling of mutuality among staff and volunteers, a sense of working together for a common cause. As we described earlier, in these settings there is usually frequent contact and an easy rapport between volunteers and staff at all levels and the atmosphere is more relaxed than in more traditional work settings. Further, it is significant that volunteers get to choose a community of practice. Having some control over where you are going and what you are doing can make a huge difference in attitude.

Starting in a peripheral role. Lave and Wenger (1991) describe how, in the beginning, apprentices need to be able to observe more experienced people and to play a peripheral role. In the beginning, observation may be the primary mode of learning. Then, usually gradually, the apprentice moves from the periphery toward the center, taking on more difficult and challenging tasks.

Employers must learn about the culture of their workers, just as workers must learn about the culture of the workplace.

Many volunteer activities allow for this initial peripheral involvement. Community advisory boards and local associations are a good example. Some of our most isolated participants have embarked on a career pathway through a marginal role on a local school council, a tenant management board, or other similar group. If a person stays on the periphery, however, the learning process stalls. The newcomer must have the chance to play a more active role. The value of many lower-rung volunteer settings is that they allow for this type of movement from the edges toward the center.

One Project Match participant on a Head Start policy committee was elected to the position of secretary. Now she had to take notes during each meeting and write the minutes. She could use the minutes she had already read as a model and she had watched the previous secretary during other meetings, so she knew where to start. Also, because she was both self-conscious and conscientious, she had the social worker at the Head Start site proofread her minutes and point out errors in spelling and grammar. As the secretary of the policy committee, she had a real opportunity to work on her reading and writing skills in a supportive and instructive environment.

Performing different tasks and different roles. Another way in which volunteer activities tend to be “fluid” is that people often have the chance to perform many different tasks and to try out different roles. According to Lave and Wenger (1991), this is another hallmark of a good apprenticeship situation.

At Project Match we have observed that many volunteers get to do a variety of tasks instead of being assigned to a single routine task. One Project Match participant volunteered in the library of the elementary school where her sister also had volunteered. Because the librarian was always shorthanded, the volunteer got to help in many different ways. She learned to use the computer to locate books. She cataloged and shelved books. She helped children use the library. The computer and clerical skills she learned in the library landed her a position in the school office as a clerk.

Another Project Match participant volunteered at a hospital-affiliated thrift shop in her neighborhood. As in many charity thrift shops, most of the work was done by volunteers and the manager was the only paid employee. The Project Match volunteer started out tagging merchandise, but she soon had the opportunity to learn to operate the cash register, to create window displays, and to assist customers. She proudly “complained” that on a few occasions she had to open and close the store, which involved operating the alarm system, among other things.

Although there is tremendous potential for acquiring “hard” job skills in lower-rung activities, volunteering does not result in a diploma or credential that can be presented to an employer. If employers are going to recognize the value of volunteer experiences or other work-based placements, welfare-to-work programs must find a way to help welfare recipients articulate and market their newly acquired skills. A critical part of this is a good resume.

Some of our most isolated participants have embarked on a career pathway through a marginal role on a community advisory board or local association.

A volunteer placement should appear on a resume, just as a college student includes an unpaid internship on a resume. Responsibilities should be clearly detailed. Most welfare recipients will need help pulling out the elements of a volunteer experience that will make a resume shine. Unfortunately, the average welfare caseworker often does not have the time or expertise to sit with a person and do this. This is a point where a place like a resource room—with its specialized staff—can be of real value.

The community agencies and institutions where people volunteer should also be brought into the loop. Welfare recipients should ask their volunteer supervisors to provide letters of reference. As we said earlier in this paper, attention to transitions is one of the most important aspects of the welfare-to-work process. If volunteer activities are to lead to unsubsidized employment, welfare-to-work programs must build on the experience and provide immediate and substantive job search assistance.

Virtually every volunteer activity on the lower rung would fit into the federal category of community service.

The new federal welfare law: Where do the lower rungs fit under TANF?

With the passage of the Temporary Assistance for Needy Families (TANF) Block Grant legislation, states have realized they will have to find ways to help hard-to-serve welfare recipients to prepare for work. We believe that the lower-rung activities are states' best option. These activities are developmentally sound starting points for the least job-ready and can help them build a foundation for future success at school and work. Properly implemented, these activities will maximize the number of welfare recipients who either become steady workers within a state's time limit or who at least make real progress toward that goal.

Meeting participation rates. States are concerned about TANF's progressively increasing annual participation rates. By the year 2002, 50% of single parents on welfare must be engaged in "countable" activities as defined by the federal government. For two-parent welfare families, the rate is 90% by 2002. As many of the more job-ready welfare recipients move off the rolls, those left will be the hardest-to-serve. Given this fact, states are unlikely to consider implementing lower-rung activities unless they are countable under the federal guidelines.

Luckily, many of the lower-rung activities fit into the federal category called "community service." According to legal experts, as long as an activity "serves a public purpose," it should be allowable as community service. Thus, among the lower-rung activities, virtually every volunteer activity would qualify as community service. Many of the activities with children like being a scout leader or the coach of a sports team would qualify. Probably none of the self-improvement activities would qualify. However, treatment activities might have a special place in state plans apart from TANF.

It is important to remember that TANF allows people to combine activities within categories and across categories to count toward the participation rate. Two or more activities that require fewer hours per week can be combined to meet the federal participation rate.

Meeting the two-month community-service requirement. Under TANF, states must require welfare recipients to engage in community service after 2 months on the rolls unless they are “engaged in work” or exempt from work requirements. Here is another place where volunteer activities and many activities with children would qualify as legitimate placements. States can determine the minimum hours per week for community service, so they are not tied to 20 or 30 hours a week.

Meeting the 2-year work requirement. Under TANF, welfare recipients must “engage in work” after 2 years of assistance or when a state determines the recipient is ready to engage in work, whichever is earlier. The definition of “engaged in work” has been left up to the states, and they have considerable latitude. We consider the 2-year work requirement an opportunity to broaden the definition of “engaged in work” to include all lower-rung activities. Each of the lower-rung activities can play a work-preparation function. We believe they are legitimate work-preparation placements for the 2-year work requirement. As with the 2-month community-service provision, states can set the minimum hours per week of participation.

In conclusion, lower-rung activities are meant to be a first step in the welfare-to-work process. To ensure that people do not get stuck in them and end up “hitting the wall” of the time limit, the activities must be implemented and administered properly. This means making sure that the activities chosen are developmentally appropriate for each person. The activities should be monitored, and there should be clearly stated sanctions for not participating in activities according to the terms of the employability plan without good cause. Employability plans should be reviewed monthly so that people move up to more demanding activities as soon as they are ready.

Conclusion. Getting from here to there: The Pathways System

The paper describes in detail the three elements of the Pathways System: a monthly activity diary, a computerized teaching system, and basic rules and procedures for line workers and welfare recipients. This system can help states implement and administer welfare-to-work programs that include lower-rung activities along with the standard work-preparation activities.

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Improving the Economic and Social Well-Being of Families With Home Visitation Early in the Life Cycle

David Olds

For the past 20 years, my colleagues and I have been developing and studying a program in which nurses make prenatal and early childhood home visits. We designed our program to improve the outcomes of pregnancy, children's health and development, and parents' economic self-sufficiency in the early years of a child's life. The goal is to reduce risks for welfare dependence and crime by establishing a more favorable family environment.

The program serves low-income mothers who have had no previous live births. Many of the mothers are unmarried teenagers.

Nurse home visitors improve prenatal health, teach responsible care of children, and encourage the family's economic self-sufficiency early in a child's life. There is increasing evidence that these nurse home visitors can reduce harm to children in their early years and diminish the likelihood that the children will become involved in crime as adolescents.

The nurses visit women in their homes during pregnancy and the first 2 years of children's lives. In those visits,

- ~ they help women reduce prenatal cigarette smoking and use of alcohol and drugs;
- ~ they help women improve their diets and identify emerging complications of pregnancy that could compromise the health of the mother and fetus;
- ~ they help parents provide more responsible care for their children; and
- ~ they help parents develop a vision for their future, plan future pregnancies, complete their education, and find work.

The nurses have structured, written protocols and intensive training to guide them as they work with mothers and families who live in highly complex, challenging, and often dangerous situations.

We have examined the program in two separate, large-scale randomized trials. Randomized trials are the most scientifically credible method for determining the effectiveness of health, social service, and medical interventions.

We carried out our first study in Elmira, New York, with European American families. We conducted the second in Memphis, Tennessee, with African American families.

We have found the program can reduce some of the most persistent health and social problems facing at-risk families in our society. And we found it can more than pay for itself in reduced government expenditures.

In our Elmira, New York, study of European American families, we compared low-income families assigned to transportation and developmental screening with those who received nurse visits. We found nurse-visited families had

- ~ 80% fewer cases of child abuse and neglect;
- ~ 56% fewer emergency room visits where injuries were detected;
- ~ 42% fewer subsequent pregnancies (Figure 1);
- ~ 83% greater participation in the work force (Figure 2); and
- ~ reduced government expenditures for AFDC, Food Stamps, Medicaid, and Child Protective Services.

The program can reduce some of the most persistent problems facing at-risk families and can more than pay for itself in reduced government expenditures.

Figure 1. Subsequent pregnancies among low-income unmarried mothers, 46-month postpartum

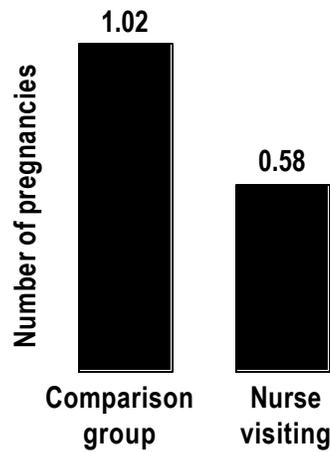
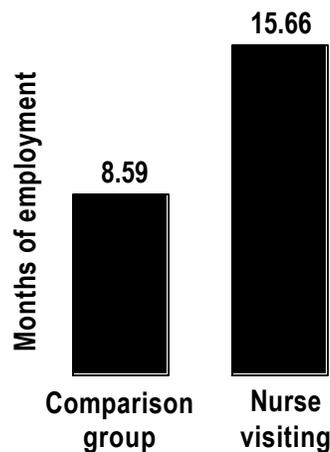


Figure 2. Months of employment among low-income unmarried mothers, 46-month postpartum



Compared with parents receiving other kinds of services, women who received visits from the nurses reported they got more support from their husbands or partners during pregnancy. They also reported more often that husbands or partners were with them during labor or delivery. By the time their children turned 4 years of age, these women more frequently reported that other family members helped care for the child while a parent was working. Home visitors made special efforts to get other family members, friends, and partners involved in child care and nurturing because evidence suggests that such involvement helps women plan future pregnancies, finish school, and find work.

After 15 years, a follow-up study of 400 European American families in Elmira showed the benefits of the program still were in effect. In some cases, the benefits had increased over time. For example, by the children's 15th birthday, nurse-visited low-income unmarried mothers had

- ~ 33% fewer subsequent births (Figure 3),
- ~ 30 months greater spacing between first and second children (Figure 4),
- ~ 30 fewer months on AFDC (Figure 5) and 36 fewer months on Food Stamps and Medicaid, and
- ~ over 70% fewer arrests (Figure 6).

Compared with their counterparts who had been assigned to comparison services of transportation and developmental screening, the 15-year-old children born to nurse-visited low-income unmarried mothers had

- ~ nearly 90% fewer verified reports of child abuse and neglect (Figure 7), and
- ~ over 50% fewer arrests (Figure 8).

There were no effects on self-reported use of alcohol, drugs, or antisocial behavior. This suggests that the program may only affect the more serious forms of antisocial behavior associated with child abuse, neglect, and poor prenatal health.

Figure 3. Subsequent births among low-income unmarried mothers, 15-year follow-up

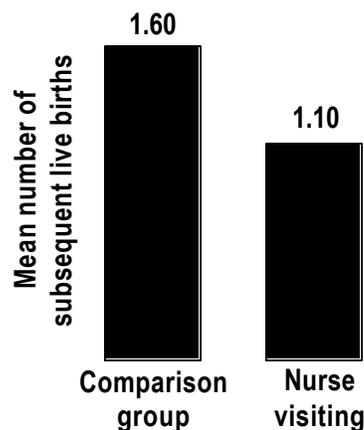


Figure 4. Spacing between births among low-income unmarried mothers, 15-year follow-up

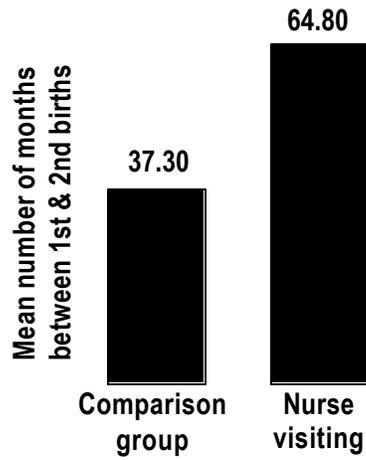


Figure 5. Use of AFDC among low-income unmarried mothers, 15-year follow-up

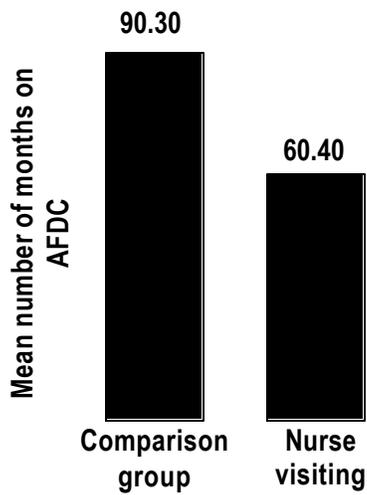


Figure 6. Arrests among low-income unmarried mothers, 15-year follow-up

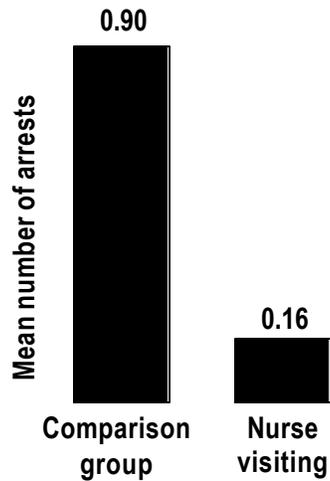


Figure 7. Reports of child abuse or neglect by age 15 among low-income unmarried mothers

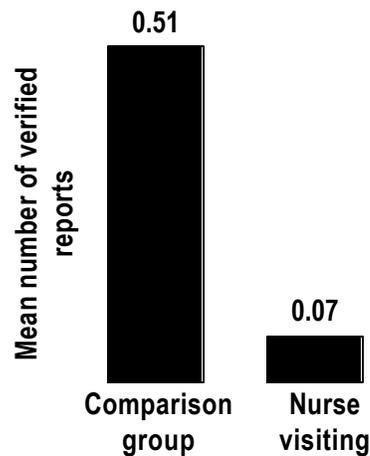
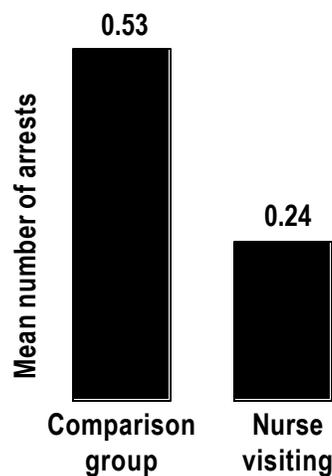


Figure 8. Arrests among children by age 15 among low-income unmarried mothers



These adverse conditions contribute to subtle neuro-developmental impairments in the child.

One of the hallmarks of good evidence is being able to reproduce it. The major findings from the Elmira trial are now being reproduced in Memphis.

We compared children in the Memphis nurse visitation program with children randomly assigned to other services. We found that, by their second birthday, the nurse-visited children had

- ~ 22% fewer health-care encounters where injuries or ingestions were detected, and
- ~ 81% fewer days of hospitalization with injuries or ingestions (injuries among nurse-visited children were substantially less serious and less likely to reflect neglectful or abusive care).

By the child's second birthday, the nurse-visited mothers had

- ~ 30% fewer hypertensive disorders of pregnancy,
- ~ 50% more frequent breast-feeding, and
- ~ 30% fewer subsequent live births.

The findings from this program of research have been used to promote a variety of home-visitation programs for pregnant women and parents of young children. Unless programs share the essential elements of the program tested in these trials, they are not likely to produce the kinds of results we have achieved.

Even when communities choose to develop programs based on models with good scientific evidence, they often water down or compromise the programs as they expand them to reach more people. We have begun some work that we hope will address this problem.

We recently were invited by the U.S. Department of Justice to disseminate our program in some high-crime neighborhoods around the country. We hope to use this demonstration effort to learn more about what it will take to develop the program in new communities.

We are establishing the program in six communities nationwide. Although the final selection is not complete, we are working with sites in California, Missouri, Oklahoma, and Florida. We have alternate sites in Wisconsin and Washington.

State and local governments are securing financial support for the program out of existing sources of funds, including TANF, Medicaid, and child-abuse and crime-prevention dollars. They are making these investments in part because the evidence indicates that expenditures in these budgets will be reduced later. The cost of this program, about \$6,700 per family for 2½ years of service, can be shared by a variety of government agencies. This reduces the strain on any one budget.

There are less expensive services. But they are less expensive because they are less intensive and less comprehensive. We find no evidence that less intensive services prevent child abuse or neglect, welfare dependence, or crime. In fact, our cost-benefit analysis shows a good pay-back for the money spent on nurse visitor programs.

In the Elmira study, the average cost per family of nurse visitation during pregnancy and the first 2 years of life was \$3,246 for the entire sample. It was \$3,133 for low-income families. After discounting, during the child's first 4 years, the government saved \$1,664 for the sample as a whole and \$3,133 for low-income families (Table 1). By the time the children were 4 years of age—2 years after the program ended—the net cost of the program for all families in the sample was \$1,582. For low-income families, there was actually a net savings of \$180.

We find no evidence that less intensive services prevent child abuse or neglect, welfare dependence, or crime.

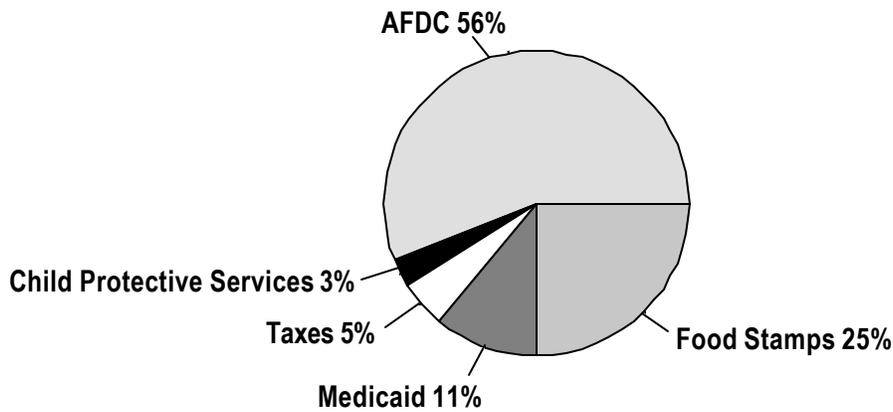
Table 1. Net cost of nurse home-visitation program in 1980 dollars

	Whole sample	Low-income families
Program costs	\$3,246	\$3,133
Government savings ^a	1,664	3,313
Net cost	1,582	-180

^aDiscounted at 3% per year.

As shown in Figure 9, reduced costs for AFDC and Food Stamps account for most of the savings among low-income families. More than half of the savings came out of AFDC costs. Reduced use of Food Stamps accounts for more than a quarter of the savings.

Figure 9. Source of government savings among low-income families, 0–48 months

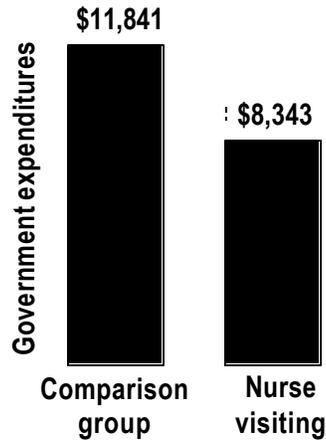


A separate analysis attributed 32% of government savings for low-income families to reductions in second and subsequent births. Fewer births, in turn, resulted in reduced expenditures of \$3,498 for Medicaid, Food Stamps, AFDC, and Child Protective Services (Figure 10).

In interpreting these findings, keep in mind that these cost and benefit results are based on a sample of European Americans living in a semi-rural area. We do not know whether these results will apply to minorities in urban areas.

We don't believe that we can offer this program on a large scale quickly without compromising its effectiveness. We believe that it makes sense to begin developing a larger number of demonstration sites once we learn from our first set. We need to understand how to develop the program in a variety of new contexts. We are building in provisions for learning about our new implementation efforts so we can disseminate the program to an even larger number of sites as quickly as possible without losing program effectiveness.

Figure 10. Government expenditures for AFDC, Food Stamps, Medicaid, and Child Protective Services (minus tax revenues), 4-year follow-up



In general, we believe that policies and practices for children and their families ought to be based on the best scientific evidence available. There is a lot of hype these days about the promise of early preventive intervention programs that the evidence cannot support. We dare not squander public hope and confidence in our work on approaches that are not likely to work.

As health and social welfare policy is redesigned in the near future, I believe that it makes sense to begin with programs that have been tested, replicated, and found to work.

~ ~ ~

Adapted from an address to the Child and Family Policy Group of the National Governors' Association, 1997, with permission of the author.

Policies for children and families ought to be based on the best scientific evidence available.

State Tax Relief for the Poor

David S. Liebschutz and Steven D. Gold

This paper summarizes highlights of the book *State Tax Relief for the Poor* by David S. Liebschutz, associate director of the Center for the Study of the States, and Steven D. Gold, the former director of the Center.¹ It examines the policies that states can adopt to provide tax relief for the poor.

Poor families are generally exempt from paying federal income tax, but they pay a large amount in taxes to state and local governments. In most states, state and local taxes take a much larger share of income from low-income families than from families with higher incomes. According to a 1991 study by the Citizens for Tax Justice, people with the lowest income paid nearly 14% of that income in state and local taxes. People in higher income brackets paid well under 10%. Most of this disparity is due to general sales and property taxes, which tend to be highly regressive at the lower end of the income scale.

Many states substantially increased personal exemptions or credits in 1987 as a result of federal tax reform, but they have failed to change them since then to keep up with inflation.²

In addition, many proposals to “devolve” federal entitlement programs to the states, especially the conversion of welfare into a block grant, would make state tax relief for the poor a more attractive option. States will no longer have an incentive to spend more of their own funds in order to attract federal matching dollars. Under the prior welfare system, Aid to Families with Dependent Children (AFDC), a state was given a 50% match from the federal government for each dollar it spent on welfare. It was less expensive for states to give assistance to the poor through welfare than through tax relief, where they had to pay for the entire cost of the program. Under the new welfare legislation, this incentive disappears.

The poverty line for a family of four in 1995 was approximately \$15,570. That standard places about one out of every seven people in the United States among the poor. The number of poor people rose sharply in the early 1980s and 1990s. Currently, it is considerably higher than it was throughout the 1970s.

The demographics of poverty have changed in the past 25 years. More children, female-headed households, and low-wage workers, but fewer senior citizens, are poor now. The increase in the number of poor people gives an even greater incentive for states to find creative ways of reducing their tax burden.

Table 1 shows the frequency of five major tax relief programs for the poor in each of the states. All but eight states³ have at least one of these programs. Eight states⁴ provide at least three of the five programs. The most common provisions

give preferential tax treatment to individuals filing as the head of a household (in 34 states) or offer a property tax circuitbreaker (in 29 states). The least common is a comprehensive tax relief program, currently only found in New Mexico.

Framework for evaluating relief

In order to evaluate tax relief for the poor, it is important to establish some criteria. Nine desirable features of tax relief provisions are as follows:

1. The budgetary cost of the relief should be reasonable.
2. All or most of the benefits should go to the intended beneficiaries.
3. Benefits should be distributed appropriately among beneficiaries.
4. All people who meet the criteria should receive some benefits.
5. The difference in benefits between those in the program and those who barely fail to qualify for it should not be large.
6. Undesirable incentive effects, such as discouraging work or saving, should be minimized. If possible, tax systems should provide positive incentives.
7. The relief should not be very expensive to administer.
8. The provisions should be uncomplicated. Intended beneficiaries should not be discouraged from claiming benefits.
9. The cost of providing the relief should be borne by the state government because it is more able to bear the burden than local governments.

Trade-offs exist among some of the features. Other features tend to reinforce each other. For example, keeping the cost of relief reasonable is consistent with the goal of concentrating the relief on the poor, but both these objectives may lead to “notch” effects,⁵ undesirable incentive effects, and complexities. These trade-offs deserve consideration, but they are likely to be less serious for state tax relief than they might be for a federal income maintenance program because the amounts of money involved are likely to be considerably smaller.

State government is more able than local governments to bear the burden of tax relief for the poor.

Income tax relief

Of the 41 states with personal income taxes, only 18 exempted a family of four persons below the poverty line from paying income taxes in 1995. In 9 states, families with incomes of less than half of the poverty line were subject to income tax. Five major alternatives for relieving income taxes of low-income households are as follows:

1. Increasing the personal exemption or personal credit
2. Providing a targeted credit that phases out as income rises
3. Providing an earned income tax credit

4. Establishing or increasing a minimum standard deduction
5. Setting an income threshold below which taxpayers are exempt from the income tax

All of these alternatives are used in at least one state. All but 1 of the 41 states that have state income taxes have a personal exemption or credit. Fifteen states have targeted tax credits.⁶ Seven states have earned income tax credits. Thirty-three states allow some type of standard deduction. Eighteen states set income tax thresholds above the poverty line.

The heaviest tax on the poor imposed by state or local governments is the property tax.

Policies differ in terms of how much they cost, how well they target relief to low-income taxpayers, whether they cover all or only some of the poor, and whether they incorporate a smooth transition between those who are eligible and those who are not covered.

Earned income tax credit

The number of states offering an earned income tax credit (EITC) has expanded from one in 1986 to seven in 1995. The EITC gives low- and moderate-income working families and individuals a credit against their state and federal income taxes. This program is attractive to the states for three reasons: (a) it provides a work incentive for welfare recipients and low-income workers, (b) it is well-targeted, and (c) it is easy for states to administer by piggybacking on the federal credit.

All of the state credits are based on a percentage of the federal EITC, but there are slight differences in some of the features among states. For example, all of the credits use a different percentage of the federal credit to set their benefit level. These differences range from 50% in Maryland to 6.5% in Iowa. In addition, only four of the seven programs provide refundable credits. A refundable credit allows those with no tax liability to get a check from the state for the credit.

Property tax

The property tax is the heaviest tax on the poor imposed by state or local governments. Most property taxes are levied by local governments, but states have a critical role in relieving the property tax because local tax systems usually are created by state law. Most property tax relief programs also are financed by state taxes.

The most efficient way to relieve the property tax paid by the poor is through a “circuitbreaker”—a state-financed property tax credit that is phased out as income increases. This credit benefits renters as well as homeowners because a proportion of rent is treated as a property tax payment. Of the 29 states that have such credits, 20 restrict eligibility to senior citizens.

Circuitbreakers are always refundable if they exceed income tax liability. A refundable credit provides a direct payment if its value is greater than the amount of income tax owed. Many are not administered with the income tax.

Other property tax relief mechanisms include homestead exemptions and credits, renter deductions and credits, and deferral programs. Some of these programs are restricted to people with relatively low incomes, but others are not.

Sales tax

Eight states have refundable credits that offer relief for the highly regressive sales tax. In four states, people in all age groups are eligible. Two states allow the benefit only for senior citizens and disabled persons. Two states cover senior citizens, the disabled, and families with dependent children under the age of 18. Two of these states have no income tax. One other state administers the refund program separately from its income tax. In several programs, benefits vary according to the size of a household.

Comprehensive tax relief

New Mexico has a rebate program that provides comprehensive tax relief for the poor. Originally, this program was intended to eliminate the regressive nature of all state and local taxes below the poverty line—to make the tax system proportional for low-income persons. The program works to relieve a portion of the taxes of the poor, but it has not achieved the objective of eliminating the regressive nature of taxes because of inadequate funding.

Children and tax relief

Children represent nearly 22% of the poor. The way they are treated by tax relief provisions merits special attention. Children are disadvantaged by two features of some tax relief mechanisms:

- ~ Some provisions make no allowance for the size of a household. Large families do not receive greater benefits than small households.
- ~ Some provisions treat one-parent households that include children the same as single individuals, even though special treatment is provided to two-parent households. Thirty-four states allow some “head of household” preference that is relatively close to that allowed for people filing joint returns.

Twenty-three states allow credits or deductions for the costs of caring for a dependent while a worker is employed. Most of these credits are tied to the federal dependent care credit, but at least six states have credits that are targeted more to low-income households. Two of these six states have refundable credits, which are worth considerably more to low-income workers than the typical credit that is not refundable if its value exceeds income tax liability.

A shortcoming of many tax relief programs is that many eligible people do not participate in them.

Administration of tax relief

Many tax relief programs have an important shortcoming—many eligible people do not participate in them. Intensified publicity programs can help alleviate this

problem. But this pattern of nonparticipation implies that tax relief does not cost a state as much as it would if participation were universal among eligible households.

The experience in three states shows that tax relief for the poor can be administered even when a state does not levy an income tax. Alaska, for example, has a dependent care credit even though it has no income tax. If there is an income tax, some evidence suggests that participation in a relief program tends to be greater if it is tied to that tax. But tying relief to the income tax may interfere with the public's understanding that the relief is intended to help the poor with the property tax or sales tax.

Changes since 1987

States greatly expanded tax relief for the poor in 1987. Many states have further reduced taxes on the poor since then. However, inflation has eroded many of the improvements enacted in 1987. On balance, the income tax burden for the poor is considerably less onerous than in 1986, but most states have not recognized increases in the burden of the property tax, sales tax, or other taxes.

Most of the state income tax benefits to the poor resulted from raising personal exemptions and standard deductions.

Most states responded to federal tax reform in 1987 by enacting reforms of their own. Many states made changes to avoid the large automatic increases in state income tax burdens that would have occurred if states had merely incorporated the federal changes into their own tax systems.

Most state income taxes closely follow the federal definitions of itemized deductions and income subject to taxation. In 1986, the federal government increased taxable income by reducing deductions and defining income subject to taxation more broadly. If the states had merely conformed to these new provisions without changing their tax rates or other provisions, they would have received large revenue windfalls.

States could have avoided these windfalls simply by reducing tax rates across the board. If they had done so, there would have been relatively little benefit to the poor. But that is not what states did. Instead, they made their income taxes more progressive by tilting tax relief to low- and moderate-income households. This meant greater benefits for the poor.

Most of the benefits to the poor resulted from raising personal exemptions and standard deductions. These actions were similar to those enacted by the federal government, although many states did not enact increases that were as large as those at the federal level. In addition, eight states either established or raised a no-tax floor, and one state enacted an earned income credit.

As shown in Table 2, between 1987 and 1995 only 15 states raised their personal exemptions or credits enough to offset inflation. Of these, seven states increased them more than inflation whereas eight states kept them in line with inflation. In 25 states, the value of the personal exemption declined.⁷

Highlights of the changes since 1987

Low-income floors

New Jersey raised its low-income floor from \$4,000 to \$7,500. Arizona, Iowa, Massachusetts, and West Virginia raised their existing low-income floors.

Earned income tax credits

The biggest change is the increase in the number of states with earned income tax credits. Until 1987, Rhode Island was the only state that had one. Now there are seven.

Other income tax credits targeted to low-income levels

In 1986, 15 states had targeted credits that phased out as income rose. Six of these states did not limit the credits to senior citizens. North Carolina and Vermont subsequently repealed these credits while they were relieving income tax burdens in other ways. The net result in both cases was to reduce tax burdens on the poor. On the other hand, California eliminated its low-income credit without adding any new tax programs aimed at the poor. During the same period, Kentucky enacted a new low-income credit and Pennsylvania significantly increased the one it had in 1986.

Sales tax credit

There has been little net change in the frequency of sales tax credits. Some new states have adopted them, whereas other states have dropped them. In 1986, seven states had refundable credits intended to relieve sales taxes. Four of those programs covered all age groups. Two were limited to the elderly. The seventh state limited the credit to the elderly and households with at least one child under the age of 18. New Mexico and Vermont, two of the four states that formerly had sales tax credits for all age groups, have repealed them. These two states have increased other targeted credits to compensate. Hawaii formerly had both a general sales tax credit and a credit for the sales tax on food and medical services. It repealed the general credit and the medical credit and cut the food credit from \$55 to \$27 per qualified exemption. On the other hand, two new sales tax credits were established in Georgia and Oklahoma at the same time that those states raised the sales tax rate. Among states that retained sales tax credits, none increased them. This means that the credit's inflation-adjusted value has decreased considerably since 1986.

Fewer changes have occurred in property tax relief than in income tax relief.

Circuitbreakers

Fewer changes have occurred in property tax relief than in income tax relief. The only new circuitbreaker was in New Jersey. Initially, it was provided to all homeowners and renters. Now it is restricted to senior citizens. Iowa and Maine made non-senior citizens eligible for their circuitbreakers. Maryland extended eligibility to nonelderly renters, who formerly were excluded. Oregon repealed a circuitbreaker that covered all low-income homeowners and renters with incomes under \$17,500 but retained only one for elderly renters. Only four states in-

creased the maximum benefit enough to offset inflation, and just six states raised the maximum income for eligibility sufficiently to keep up with inflation.

Summary of changes since 1987

Tax relief for the poor made substantial advances in 1987 as states responded to federal tax reform. Much less progress has been made since then, but many states have lowered the personal income tax paid by low-income families. States have paid less attention to the burdens imposed by property and sales taxes, even though those taxes are a much heavier burden on the poor. Inflation has eroded many of the improvements enacted in 1987. As shown in Table 2, only 15 states raised their personal exemptions or credits enough to offset inflation.

Conclusions

States have developed many programs to relieve the taxes of the poor, but the tax burden on the poor in all the states is still heavy. A conservative estimate is that state and local taxes claim more than 10% of income from the poor. In some cases, the percentage is even higher.

Although the federal government eliminated most of the income tax burden on the poor in 1986, the state-local tax burden has increased.

Although the federal government eliminated most of the income tax burden on the poor in 1986, the state-local tax burden on the poor is much greater than the pre-reform federal income tax burden. Since 1986, states have made considerable progress in reducing income tax burdens on the poor. They have done relatively little to relieve the burden of sales and property taxes. In fact, the burden of sales and property taxes is far heavier than that of the state income tax. The overall state and local tax burden on the poor is more onerous than it was in 1986.

In the short run, states may choose not to eliminate the entire burden on the poor from all forms of taxation, but rather to make a start in that direction. States should consider eight guidelines for this effort:

1. Relieve the property and sales taxes as well as the income tax. Those two taxes are a much heavier burden on the poor.
2. Target relief through credits that are phased out as income rises. This will limit the budgetary cost of the relief. If a program is meant to relieve taxes for the poor, it must have an income ceiling.
3. Make credits refundable if they exceed a family's income tax liability. Because many of the poor have relatively low income tax liability, nonrefundable credits will not help them much.
4. Do not restrict relief to senior citizens. There are more than 3 million poor seniors, but they account for only one tenth of the entire poor population.
5. Design relief so that large families receive greater benefits than small families.
6. Recognize that single-parent families have more in common with two-parent families than with single persons. Structure tax provisions accordingly.

7. Index the relief or periodically review it to adjust for inflation.
8. Have the state finance the relief. State government has much greater resources than many local governments.

Notes

1. The book, which has much more detailed analysis of particular state programs, can be obtained from the Center for the Study of the States, 411 State Street, Albany, New York 12203-1003, phone (518) 443-5285, fax (518) 443-5274, email: santosr@rockinst.org.
2. This resulted in a real decline of the value of the exemption of nearly 32% between 1987 and 1995. See Table 2.
3. Alabama, Alaska, Delaware, Indiana, Louisiana, Mississippi, Nebraska, and South Carolina.
4. Georgia, Iowa, Maryland, Minnesota, New Mexico, New York, South Dakota, and Wisconsin.
5. That is, where there is a steep increase in the amount of taxes paid when one is just above the income limitation of the tax programs.
6. Georgia has two credits and Hawaii's credit is not directly related to exemptions.
7. It should be noted, however, that the standard deduction has been increased in over a dozen states since 1987, offsetting somewhat the effects of inflation.

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Table 1. Major State Tax Relief Provisions for the Poor, 1995

	Earned income credit	Other credits related to income ^a	Circuitbreaker ^b	Property tax deferral	Comprehensive tax relief	Number of provisions in each state	Income tax threshold (1995)
Total state provisions	7	17	29	22	1		
New England							
Connecticut			E, H&R			1	\$24,100
Maine			AA, H&R; E, H&R	X		2	15,000
Massachusetts		I		X		2	14,000
New Hampshire				X		1	n/a
Rhode Island	X		E, H&R			2	22,400
Vermont	X		AA, H&R			2	22,400
Mid Atlantic							
Delaware						0	8,600
Maryland	X	I	AA, H&R	X		4	20,900
New Jersey			E, H&R			1	7,500
New York	X	I	AA, H&R			3	18,700
Pennsylvania		I	E, H&R			2	15,300
Great Lakes							
Illinois			E, H&R	X		2	4,000
Indiana						0	4,000
Michigan			AA, H&R	X		2	9,600
Ohio		I				1	10,500
Wisconsin	X		AA, H&R	X		3	16,400
Plains							
Iowa	X		E, H&R	X		3	16,100
Kansas		S	AA, H&R			2	13,000
Minnesota	X		AA, H&R	X		3	20,000
Missouri			E, H&R			1	9,900
Nebraska						0	16,600
North Dakota			E, H&R	X		2	17,100
South Dakota		S	E, H	X		3	n/a

Table 1 (Continued)

	Earned income credit	Other credits related to income ^a	Circuitbreaker ^b	Property tax deferral	Comprehensive tax relief	Number of provisions in each state	Income tax threshold (1995)
Southeast							
Alabama						0	\$ 4,600
Arkansas			E, H			1	10,700
Florida				X		1	n/a
Georgia		S, I		X		3	11,100
Kentucky		I				1	5,000
Louisiana						0	11,000
Mississippi						0	15,900
North Carolina		I				1	16,000
South Carolina						0	16,600
Tennessee				X		2	n/a
Virginia				X		1	8,200
West Virginia			E, H&R			1	8,000
Southwest							
Arizona		I	E, H			2	20,000
New Mexico		S	E, H&R		X	3	16,600
Oklahoma		S	E, H			2	11,600
Texas				X		1	n/a
Rocky Mountain							
Colorado			E, H&R	X		2	16,600
Idaho		S	E, H			2	16,600
Montana			E, H&R			1	7,400
Utah			E, H&R	X		2	14,100
Wyoming		S		X		2	n/a

(Table continues)

Table 2. Personal Exemptions and Credits for Income Taxes, 1987 and 1995 (in 1995 dollars)^a

State	1987			1995			Difference	
	Single return	Joint return	Dependents	Single return	Joint return	Dependents	Single return	Joint return
Federal taxes— exemptions	\$2,500	\$5,000	\$2,500	\$2,500	\$5,000	\$2,500	\$0	\$0
New England								
Maine	1,315	2,630	1,315	2,100	4,200	2,100	785	1,570
Massachusetts	2,893	5,786	1,315	2,200	4,400	1,000	(693)	(1,386)
Rhode Island	2,500	5,000	2,500	2,500	5,000	2,500	—	—
Vermont	2,500	5,000	2,500	2,500	5,000	2,500	—	—
Middle Atlantic								
Delaware	1,315	2,630	1,315	1,250	2,500	1,250	(65)	(130)
Maryland	1,315	2,630	1,315	1,200	2,400	1,200	(115)	(230)
New Jersey	1,315	2,630	1,315	1,000	2,000	1,500	(315)	(630)
New York	1,184	2,367	1,184	—	—	1,000	(1,184)	(2,367)
Pennsylvania	—	—	—	—	—	—	—	—
Great Lakes								
Illinois	1,315	2,630	1,315	1,000	2,000	1,000	(315)	(630)
Indiana	1,315	3,630	1,315	1,000	1,000	1,000	(315)	(1,630)
Michigan	1,973	3,945	1,973	2,400	4,800	2,100	428	855
Ohio ^b	855	1,710	855	650	1,300	650	(205)	(410)
Plains								
Kansas	1,315	2,630	1,315	2,000	4,000	2,000	685	1,370
Minnesota	2,500	5,000	2,500	2,500	5,000	2,500	—	—
Missouri	1,578	1,578	526	1,200	2,400	400	(378)	822
North Dakota	2,500	5,000	2,500	2,500	5,000	2,500	—	—

(Table continues)

Table 2 (Continued)

State	1987			1995			Difference		
	Single return	Joint return	Dependents	Single return	Joint return	Dependents	Single return	Joint return	Dependents
Southwest									
Alabama	1,973	3,945	395	1,500	3,000	300	(473)	(945)	(95)
Georgia	1,973	3,945	1,973	1,500	3,000	2,500	(473)	(945)	528
Louisiana	5,918	11,835	1,315	4,500	9,000	1,000	(1,418)	(2,835)	(315)
Mississippi	7,890	12,493	1,973	6,000	9,500	1,500	(1,890)	(2,993)	(473)
North Carolina	1,447	2,893	1,052	2,000	4,000	2,000	554	1,107	948
South Carolina	2,500	5,000	2,500	2,500	5,000	2,500	—	—	—
Virginia	921	1,841	921	800	1,600	800	(121)	(241)	(121)
West Virginia	2,630	5,260	2,630	2,000	4,000	2,000	(630)	(1,260)	(630)
Southwest									
Arizona	2,625	5,249	1,575	2,100	4,200	2,300	(525)	(1,049)	725
New Mexico	2,630	5,260	2,630	2,500	5,000	2,500	(130)	(260)	(130)
Oklahoma	1,315	2,630	1,315	1,000	2,000	1,000	(315)	(630)	(315)
Rocky Mountain									
Colorado	2,500	5,000	2,500	2,500	5,000	2,500	—	—	—
Idaho	2,500	5,000	2,500	2,500	5,000	2,500	—	—	—
Montana	1,394	2,788	1,394	1,430	1,430	1,430	36	(1,358)	36
Utah	986	1,973	986	1,875	3,750	1,875	889	1,778	889
Far West									
Hawaii	2,499	4,997	2,499	1,040	2,080	1,040	(1,459)	(2,917)	(1,459)

Table 2 (Continued)

State	1987			1995			Difference		
	Single return	Joint return	Dependents	Single return	Joint return	Dependents	Single return	Joint return	Dependents
Credits									
Arkansas	\$26	\$53	\$26	\$20	\$40	\$20	(6)	(13)	(6)
California	67	134	67	65	130	65	(2)	(4)	(2)
Iowa	26	53	20	15	30	40	(11)	(23)	20
Kentucky	26	53	26	20	40	20	(6)	(13)	(6)
Oregon	112	224	112	116	232	116	4	8	4
Wisconsin	0	0	66	0	0	50	—	—	(16)

Notes:

The states not listed did not have a broad based personal income tax in 1987 and 1995.

^aThe deflator of 31.5% is based on the Consumer Price Index (CPI) in adjusting the personal exemptions and credits from 1987 to 1995.

^bOhio also allows a tax credit for working spouses of up to \$650.

Sources:

Significant features of fiscal federalism, 1988 & 1994, Advisory Commission on Intergovernmental Relations, 1989, 1995, Washington, DC: Author; *RIA all states tax guide* (pp. 115–122), 1994, New York: *State tax relief for the poor*, by S. D. Gold, 1987, Denver, CO: NSCL.

Selected Resources on Strategies to Move Families Out of Poverty

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